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# General Mills, Inc.

## FINANCIAL STATISTICS

## 1930-1951

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# FOREWORD

This pamphlet has been prepared to meet the special needs of those individuals and organizations who are interested in greater financial detail than ordinarily found in annual reports.

It consists largely of material that has appeared in one form or another in annual reports, reports to the Securities and Exchange Commission, and in company publications issued at various times. All such appropriate data has been brought together in this report on a uniform basis covering the past twenty-one years. It is hoped that the pamphlet will facilitate a detailed study of the company's operations.

Any suggestions or comments you may have regarding the pamphlet will be gratefully received.

For additional copies of this booklet write to:

Comptroller
General Mills, Inc.
400 Second Avenue South
Minneapolis 1, Minnesota

To obtain answers to financial questions, you are cordially invited to write or visit the company at the above address. You may contact either Mr. H. A. Bullis, Chairman of the Board, Mr. L. N. Perrin, President, or Mr. G. C. Ballhorn, Vice President and Comptroller.

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# ORGANIZATION, PRODUCTS, AND PLANTS

Although General Mills was founded in 1928, its beginning took shape over half a century ago. It was the idea of James S. Bell, President of Washburn Crosby Company from 1889 to 1915, that a miller should strategically locate mills between the wheat growing areas and the population centers of the nation. The man who pursued the idea to fulfillment was his son, James F. Bell, founder of General Mills and its first President and Board Chairman.

The formation of the Royal Milling Company at Great Falls, Montana, in 1892 by several Washburn Crosby Company directors started the pattern. A new mill was erected at Buffalo in 1903, and another procured at Louisville in the same year. In 1922 others were added in Chicago and Kansas City. At this point it became evident that the idea required a larger framework to realize its potential. Thus, General Mills was formed in 1928.

Later were added mill and elevator properties of the El Reno Mill & Elevator Company of El Reno, Oklahoma, and those of the "Kell" group. The latter comprised mills at Oklahoma City and Perry, Oklahoma, and Vernon, Amarillo, Wichita Falls, and Waco, Texas, with associated elevators. The mills and elevators of the Sperry Flour Company, with a California tradition dating back to 1852, were added in February, 1929, with a territory including the whole west coast. The Larrowe Milling Company (formula feeds) with headquarters at Detroit was acquired in 1929. Farm Service Stores also got their start the same year. In 1933 the company entered the Southeastern market with purchase of properties of the Red Band Company, Incorporated, of Johnson City, Tennessee.

This is the organization that pioneered General Mills as we know it today. In recent years, expansion largely through research has taken the company into new fields of endeavor, with diversification being the keynote. The company is now divided into five major divisions. Each division has its own president and organization, with operations decentralized but working within a framework of a centralized company policy. The five divisions are as follows:

1. Food Division - flour, package foods, and formula feeds.

2. Farm Service Division - 67 retail stores for handling sales of company products and other related farm supplies.

3. Chemical Division - soybean oils and fatty acids (formed in 1943).

4. Mechanical Division - industrial machinery and home appliances (organized in 1941).

5. Special Commodities Division - vitamin concentrates, wheat starches and proteins (started in 1942).

## FOOD DIVISION

### Flour

General Mills' eighteen flour mills are well located with respect to wheat supplies in consuming markets, and thus are in a position to concentrate operations in the most efficient plants. Over the years, General Mills' flour production has consistently averaged around 13-15% of the total U. S. wheat flour production.

Flour business in the U. S. may be classified roughly as commercial flour (bakers and export) and family flour, with commercial flour volume currently being approximately double that of family flour.

As a general rule, the company's profits on commercial flour will fairly well follow the pattern of industry-wide conditions in flour milling. With a substantial increase in exports during World War II, demand was sufficient to provide abnormally good margins on flour and its by-products. With the curtailment of export, largely due to reduction in shipments under foreign aid programs, the industry has suffered since 1948 from excess capacity. As a result, margins have dipped during the past three years.

In respect to family flour, General Mills is by far the leader, and it is estimated that one out of every three sacks of family flour sold in the U. S. is Gold Medal "Kitchen-Tested." Volume has about doubled during the past ten years. This growth is attributed to aggressive merchandising, backed by sound advertising, coupled with the growth of self-service operations where the customer is in a better position to select a brand of her own choosing. The pulling power of the name "Betty Crocker" is reflected in this success.

During the prewar period the flour activities comprised about 70% of the company's total investment and produced approximately 70% of the company's total sales income. During the postwar period the flour investment dropped to 50% and sales income to 55% of company totals. This should not be interpreted as any reduction in the flour activity. It only demonstrates the shift as General Mills moves into a more diversified program of operation.

One of the most important plant additions during the postwar period consisted of America's most modern flour mill, completed in 1948, at Los Angeles. It applies pneumatic techniques for processing and handling flour, plus new grain storage designs, which are recognized as the first basic advances for the industry in more than 40 years.

In addition to wheat flour mills, the company operates two oat flour processing plants -- one located at Keokuk, Iowa, and the other at Minneapolis. These plants were acquired during the war to provide a regular source of supply of oat flour for Cheerios. Purity Rolled Oats are also merchandised. Although a substantial portion of this activity's earnings is derived from sales of oat flour for Cheerios, profits nonetheless have been excellent from the standpoint of return on investment.

The principal brand names of flour sold by General Mills are listed below:

Gold Medal "Kitchen-Tested"
Red Star
Sperry Drifted Snow
Purasnow
Rex
Red Band
Purity Rolled Oats
General Mills Bakers' Flour.

## Formula Feeds

The formula feed business is a fast growing industry. Represented mainly by many very small independent feed operators, the giant of the industry, Ralston Purina, accounts for only 6% of the total volume and General Mills only 2%. Deliveries of mixed feeds in 1950 are estimated at a 35 million ton rate - up 5 million tons from the previous year, and compares with 15 million tons during the prewar period. 1950 volume is estimated at $3 billion - this is as much as is spent for all canned goods that humans eat and ten times as much as American families spend for breakfast cereals.

The economic function which the formula feed industry performs is that of blending a vast volume of secondary and by-product feeds together so that the livestock and poultry feeders obtain the maximum amount of good out of the available feeds when fed with basic feed grains. Some of the chief ingredients used in formula feeds, in addition to grain, are mill feeds, dried beet pulp, corn gluten feed and meal, linseed oil meal, cottonseed meal, soybean oil meal, brewers' grains, distillers' grains, packing house by-products, dried milk and whey, fish meal and oil, and alfalfa meal. Most of these ingredients are obtained from the manufacture of products for human consumption. By using formula feeds manufactured from a blend of these various secondary products and feeding with grains, the supplies of grain are extended.

The old-fashioned "shovel system" of mixing feeds has disappeared. Today different kinds of ingredients are blended together on the basis of tested formulas (often carried to two decimal places for accuracy) by the use of precise measuring devices, with finished feeds subject to strict daily analysis by chemical laboratories. Trace minerals, vitamin supplements, animal proteins, antibiotics, and even hormones are measured and mixed in microgram amounts to achieve specific results.

The company's principal feed products are sold under the brand name of Larro "Farm-tested," and are complete feeds for dairy and beef cattle, swine, poultry, turkeys, rabbits and dogs.

There are eight Larro feed plants strategically located throughout the United States. The largest is at Rossford, Ohio, with others located at Kansas City, Missouri, Minneapolis, Minnesota, Los Angeles and Vallejo, California, Spokane and Tacoma, Washington, and Ogden, Utah. Several other divisions of General Mills are suppliers of mill feeds and soybean oil meal used by the formula feed manufacturing divisions.

Distribution of Larro "Farm-tested" feeds is attained by several thousand independent dealers in addition to the Farm Service Stores.

As is true in other activities of General Mills, research plays a leading role in formula feed activities. Research work carried out under actual farm conditions has developed the Larro "Farm-tested" feeds and feeding programs. Today a 200-acre farm with more than 125 buildings required to house the dairy animals, swine, dogs, chickens, turkeys, and rabbits, is devoted to the study of animal and poultry nutrition. The Larro Research Farm is located just outside of Detroit.

Deliveries of Formula feeds are up 50% over prewar, with profits showing an even greater increase. In 1950-51 dollar sales were 11% of total sales income.

## Package Foods

Package Foods has made the greatest progress of any activity by tripling its volume since prewar. New products have been added and volume on the older products has increased. In 1950-51 sales volume amounted to over $70 million, or 17% of total sales. As in the case of family flour, alert merchandising along with effective advertising has contributed to this success.

The company entered the Package Foods business by introducing Wheaties back in 1924. A year later Softasilk was introduced, and Bisquick was added in 1931. These three products comprised the line until the introduction of Kix in 1937 and Cheerios in 1940. Crustquick and Cake Mixes (GingerCake, PartyCake Mix, Devils Food

Cake Mix) are the postwar additions. Sperry Package Foods (Wheat Hearts, Pancake Flour, and Corn Meal) have been sold on the west coast for a number of years under the Sperry label.

Although beset by strong competition, the ready-to-eat cereals (Wheaties, Cheerios, and Kix) are among the leaders in their field. Bisquick paces the market in its field. In spite of terrific competition and a late start, Betty Crocker Cake Mixes are now among the leading sellers.

The first package foods plant was built at Chicago, with the Buffalo plant added in 1940. In order to better serve the west coast, the plant at Portland, Oregon, was replaced in 1948 by a modern plant at Lodi, California.

Aided by large volume and quick turn-over, the investment in Package Foods per sales dollar is much less than experienced by the other food activities. Profits have been good and the return quite attractive.

## FARM SERVICE DIVISION

The Farm Service Division operates retail outlets for the company's formula feeds, and flour as well, and in addition, it also sells related farm supplies (binder twine, seeds, garden supplies, salt, dairy equipment, etc.). On May 31, 1951, there were 67 stores in operation, the division as a whole employing around 650 people. The stores are located principally in New England, Florida, Pennsylvania, Ohio, Iowa, Minnesota, Washington, and California.

The stores enjoy a good volume of business, amounting to 7% of total sales. While not a substantial profit contributor, the division is an important factor in an indirect way by performing a distribution function in the sales of General Mills products.

## CHEMICAL DIVISION

The Chemical Division started in 1943 as a "vegetable oil and protein division." The plant at Belmond, opened in 1944, has a 1,500,000 bushel grain storage elevator, soybean solvent extraction plant, and three soybean oil refining units. It produces soybean oil meal, soybean oil, and lecithin. The extraction plant has proved itself one of the most efficient units in the industry, and a substantial earner.

The Chemoil plant at Kankakee was opened in 1948. Sprawling over 34 acres of land, it has 25 miles of piping that connects various operating units. It produces fatty acids and their derivatives.

A unit for production of amines, amides, and nitriles from the animal and vegetable fatty acids now turned out by the Division is rising at Kankakee. The unit is scheduled to start operations in the fall of 1951. The project is the result of extensive research.

Products of the Kankakee development will serve broad segments of the mining and chemical industries. Last year mining companies used several million pounds of fatty amines in refinement of mineral ore. Makers of bacteria-killing agents, detergents, and other products also used these fatty acid derivatives. The fatty amides, co-products of the amines, are used mainly in water-repellent coatings for textiles. They are also finding a market in waxes and molding compositions, and are being used experimentally in detergents and insecticides.

Currently, the nitriles, formed as intermediates in the manufacture of amines, have no large-scale uses. During World War II, however, fairly large amounts went into synthetic rubber. Now the nitriles are being tried as insect repellents and solvents and in lubrication greases and other products. The amines, amides, and nitriles are all made from animal or vegetable fatty acids and ammonia. General Mills will produce them by a process developed at its Research Laboratories.

At Rossford, Ohio, location of a Larro formula feed plant, a new soybean processing unit is in process of erection. It will produce soybean oil meal, degummed soybean oil, and lecithin. The plant will enhance the company's position in the soybean industry with substantially increased volume. Upon completion this will give General Mills an annual soybean processing capacity of 8,000,000 bushels. A substantial percentage of the soybean oil meal produced will be used in the adjoining Larro formula feed plant. Soybean oil meal requirements of the company's Farm Service stores in the East will be serviced from this source, with the balance of the plant's output sold through commercial channels.

Kankakee suffered the usual shake-down difficulties in opening a new plant. Total sales of the Chemical Division represent only a minor portion of the company's sales volume, amounting to 4% during 1950-51, but it is reasonable to assume this volume will continue to increase as new products and uses are developed.

## MECHANICAL DIVISION

From a beginning as a small machine shop at the Minneapolis flour mill, the Mechanical Division was formed in 1941 to mark the entry in a field considerably removed from flour milling. A plant adaptable to machine tool production was purchased in Minneapolis and equipped with precision tools and machinery. The division worked principally on defense contracts during World War II, winning several Army-Navy "E's" and employing over 1,600 workers. The present complement is 1,300. Floor space of the plant is 210,000 square feet.

During the postwar period the division continued to do outside contract work and it also entered into the small home appliance field. The Betty Crocker Tru-Heat Iron was introduced in 1946, the Betty Crocker Steam Ironing Attachment was added in 1947, and the Betty Crocker Toaster in 1949. The Iron is among the leaders in the quality class and the Steam Ironing Attachment is the only separate unit sold in major quantities. The Toaster has enjoyed initial success.

The Mechanical Division has always made money on outside contract work. Home appliances absorbed considerable development and start-up expense before emerging into the profit area. Production was unable to keep up with demand during the past year. 1950-51 sales for the division as a whole added up to 3% of the company's total, and earnings were satisfactory. As a result of material restrictions, production of the Toaster and Steam Ironing Attachment was discontinued during the summer of 1951, but will be resumed whenever materials again become available. It is also likely that other home appliance items may be introduced at a later date.

## SPECIAL COMMODITIES DIVISION

The Special Commodities Division was organized in 1942 with manufacturing facilities located at Keokuk, Iowa. It produces Vitamin D, enrichment concentrates, wheat starches and proteins, monosodium glutamate, glutamic acid hydrochloride, and refined glutamic acid. The most important raw material used is second clear flour, a by-product of high grade patent and bakery flours. Thus General Mills is able to convert a by-product into an entirely different market bringing a higher return.

Textile and paper manufacturers use wheat starches in sizings and adhesives. Other uses include laminating and special adhesives, laundry starches and other compounds. In the food industry, this division's products turn up in salad dressings, fillings for berry and cream pies, baby foods, cream style corn, ice cream cones, candies, and soups.

Glutamic acid hydrochloride and glutamic acid are chemical derivatives of the wheat gluten washed out of clear flour during wheat starch production. Pharmaceutical houses buy these products for use in their preparations. Wheat gluten also yields monosodium glutamate, a flavor intensifier known also as MSG, which is used by commercial packers to heighten flavor of canned and prepared foods. General Mills' output of monosodium glutamate is widely distributed in 100-pound drums to food processors.

Vitamin D is sold mainly to dairies for fortifying milk, manufacturers of proprietary vitamin products, and the food field. Enrichment concentrates are used by General Mills itself to control the vitamin and mineral content of its own flours and cereals.

Measured by dollar sales volume, the activities of this division are not large. However, it serves a pioneering function in finding a broader market for General Mills products, and it has provided a satisfactory return on investment since its formation.

## RESEARCH

Although the Research Department is not an operating division, its influence has played such an important part in General Mills' development and growth that it deserves special attention. General Mills has always been dedicated to a policy of expansion through research.

In 1930, Research developed Embo, a stabilized wheat germ that contained a rich supply of B vitamins. Bisquick was born in 1931. In 1933, Research came up with "Ferm-A-Sured" flour, a product controlled to bake uniformly. A year later Research helped General Mills launch into the vitamin business by introducing a new method of manufacturing Vitamin D. Kix came out in 1937 and Cheerios in 1941. Research paved the way to the enrichment of flour and the addition of vitamins and minerals to breakfast cereals. Cake Mixes were the most recent food product to come out of Research.

Researchers backed the Chemical Division with studies of soybean processing and the refinement of soybean oil. They also began research on vegetable oil fatty acids, which led to the opening of the Kankakee plant. Chemists and engineers joined forces with the Special Commodities Division to convert second clear flour, a milling by-product, into pharmaceuticals, seasoning compounds, specialty wheat starches, and proteins, etc. The Mechanical Division can trace much of its origin, particularly in respect to home appliances, back to Research. Meanwhile, the Research Department added another branch, its Aeronautical Research Laboratories, which serves as a contract development service for the Armed Forces and industry.

Engineers have also been busy developing the Anderson Sealer, which eliminated string-tied closures on flour sacks and gave them a neat, flat, automatically-sealed top; the Long Packer and Checkweigher, which automatically piles and checkweighs flour bags; the James Continuous Cooker that produces Cheerios and Kix; and many other original packaging and processing machines for General Mills' products.

Altogether, General Mills' research program now runs the gamut of science from cereal chemistry to mechanical design. It is geared to turn out heavy machinery and fine chemicals as efficiently as new foods. Its plant facilities today cover more than a city block, having a floor space of around 250,000 square feet, and house more than 375 scientists, engineers, and service employees. It is nourished by substantial appropriations annually, aggregating $2,000,000 in 1950-51.

Exhibit 1

TOTAL U.S. WHEAT FLOUR PRODUCTION

CROP YEARS 1930 - 1950

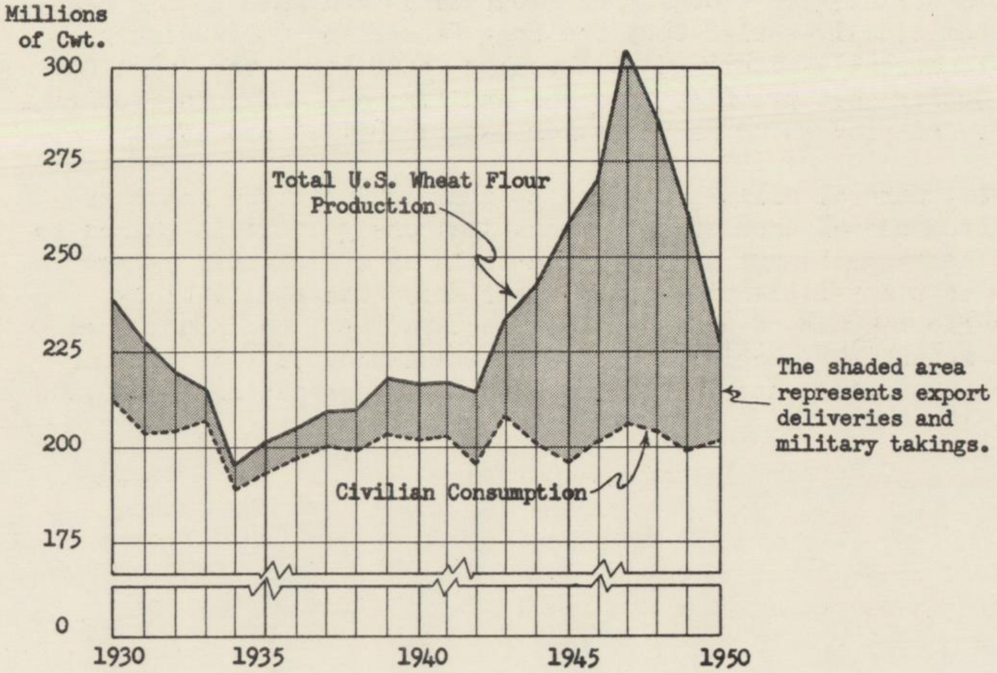
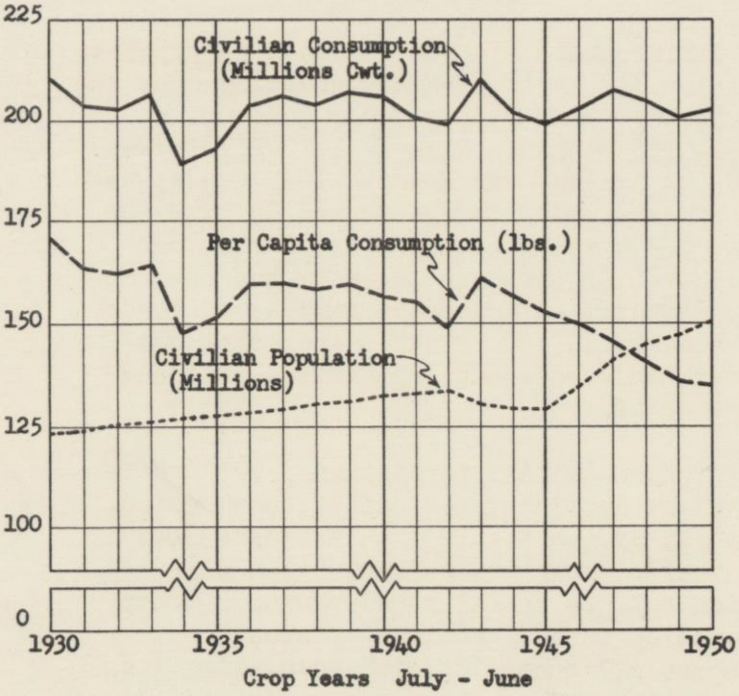


Exhibit 2

TOTAL U.S. WHEAT FLOUR CONSUMPTION BY CIVILIAN POPULATION

CROP YEARS 1930 - 1950



**Sources:**

Crop Years 1930 - 1935 -

per estimates published by the Food Research Institute, Stanford University.

Crop Years 1936 - 1950 -

per BAE reports issued in September, 1950.

## FLOUR MILLING INDUSTRY

In 1946-47 an all-time peak in wheat flour production was attained in which all available capacity in the industry was put to work to grind out 305 million cwt. The production for this crop included over 99 million cwt. shipped for export and usage by the military. Since that time production has dropped sharply as exports under foreign aid programs were greatly curtailed. Exports and military takings in 1947-48 amounted to 83 million cwt.; in 1948-49 to 61 million cwt.; in 1949-50 to 25 million cwt. Export figures for 1950-51 are not yet available but they are not expected to be much different than reported for the prior year.

Thus, the effect of World War II and the postwar period on flour exports is closely paralleling that of World War I, with a steady expansion, high level movement during and immediately following the war period, then a sharp break and a steady decline. From a World War I peak export movement of 52 million cwt. in 1919, flour exports decreased to a low point of 6.5 million cwt. in 1935, and a slow upward movement continued until the World War II spurt.

With every marginal mill in the country resurrected during World War II to meet demand, there continues to be an excess of capacity to fill domestic requirements after the sharp break in export volume.

Moreover, flour volume difficulties are not confined to exports alone. Civilian consumption is another shadow hovering over the heads of the milling industry. Per capita flour consumption in 1949-50 was approximately 136 pounds. Back in 1920-24, it was 180 pounds - by 1935-39 the average was down to 158 pounds; then it was 137 in 1948-49 before dipping to 136 pounds in 1949-50. (1950-51 figures are not yet available.) The decline in per capita consumption of flour over the past 40 years has been accompanied by increasing emphasis on a greater variety of foods in the American diet. Less bread and potatoes are being consumed, but much more fresh and processed vegetables, processed fruit, and some dairy products.

The bright spot in the picture is that population growth so far has filled the gap caused by declining per capita consumption. For example, the population growth for 1951 is estimated at 3.5 million. This one year's growth at current rates will add an additional 4.5 million cwt. to annual requirements. Consequently, civilian consumption should continue at about current levels, with every prospect of increasing with population growth. Many in the industry feel that per capita consumption will become stabilized at around 135 pounds, and aggressive promotions are in process to step up the usage to higher levels.

We have no way of knowing the disposition of flour consumption in the U. S., but estimates which are at best a guess, indicate an annual usage of 135 million cwt. by bakers, restaurants, and institutions, and around 50-55 million cwt. sold as family flour or otherwise consumed in the home. Durum flour used by macaroni manufacturers probably amounts to 10 million cwt., and the remainder of 10 million cwt. is used for industrial purposes. As a general trend, bakery flour is showing a continuous growth, while home consumption is on the decline. In addition to wheat flour, rye production is estimated at 2 million cwt., and corn flour production at 15 million cwt.

With every available mill running night and day, seven days a week, to turn out the peak of 305 million cwt. in 1946-47, the daily milling capacity at that time ranged from 1,050,000 cwt. to 1,075,000 cwt. Since that time over 100 mills with a daily capacity of 156,000 cwt. have been closed. It appears that daily effective U. S. commercial milling capacity now approximates 900,000 to 925,000 cwt.

The ten largest U. S. milling companies and their daily capacities are listed as follows:

| | Wheat Flour Daily Capacity (cwt.) |
|---|---|
| General Mills, Inc. | 142,300 |
| Pillsbury Mills, Inc. | 87,800 |
| International Milling Co. | 64,800* |
| Russell-Miller Milling Co. | 42,700 |
| Colorado Mill & Elevator Co. | 39,470 |
| Commander-Larabee Milling Co. | 37,640 |
| Flour Mills of America | 36,400 |
| Standard Milling Co. | 27,500 |
| Tex-O-Kan Flour Mills Co. | 27,025 |
| National Biscuit Co. | 22,200 |

*Excludes Canadian capacity of 29,200 cwt.

Exhibit 3

## General Mills, Inc.

## PRICE DATA ON STOCK

| COMMON STOCK | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| As of May 31. | No. of Common Stock-holders | No. of Shares Outstanding(a) | Price Range Common Stock (a)(c) | | | Price - Earnings Common Stock (b)(c) | | | % Yield on Common Stock (b)(c) | | | Common Stock | | |
| | | | High | Low | Mean | High Price | Low Price | Mean Price | High Price | Low Price | Mean Price | Earnings Per Share (a) | Dividends Per Share (a)(c) | Book Value Per Sh. of Com. Stk. (d) |
| 1951 | 9,069 | 2,067,066 | $ - | $ - | $ - | - | - | - | - % | - % | - % | $4.92 | $ - | $36.96 |
| 1950 | 8,957 | 2,012,178 | 61 | 52 | 56 | 10.4 | 8.9 | 9.5 | 4.1 | 4.8 | 4.5 | 5.87 | 2.50 | 34.12 |
| 1949 | 8,718 | 1,996,172 | 53 | 41 | 47 | 10.4 | 8.0 | 9.2 | 4.7 | 6.1 | 5.3 | 5.11 | 2.50 | 30.58 |
| 1948 | 8,444 | 1,995,224 | 55 | 43 | 49 | 9.4 | 7.4 | 8.4 | 4.1 | 5.2 | 4.6 | 5.83 | 2.25 | 26.55 |
| 1947 | 8,222 | 1,995,172 | 54 | 42 | 48 | 13.8 | 10.7 | 12.3 | 2.8 | 3.6 | 3.1 | 3.91 | 1.50 | 22.98 |
| 1946 | 7,708 | 1,995,168 | 53 | 43 | 48 | 18.2 | 14.8 | 16.5 | 2.6 | 3.2 | 2.9 | 2.91 | 1.38 | 21.33 |
| 1945 | 7,110 | 1,995,162 | 40 | 34 | 37 | 14.9 | 12.6 | 13.7 | 3.3 | 3.9 | 3.6 | 2.69 | 1.33 | 19.93 |
| 1944 | 7,172 | 1,995,162 | 35 | 27 | 31 | 16.0 | 12.4 | 14.2 | 3.8 | 4.9 | 4.3 | 2.23 | 1.33 | 18.57 |
| 1943 | 6,918 | 1,995,162 | 29 | 21 | 25 | 13.6 | 10.2 | 11.9 | 4.6 | 6.3 | 5.3 | 2.13 | 1.33 | 17.93 |
| 1942 | 6,752 | 1,995,162 | 30 | 26 | 28 | 15.0 | 12.8 | 13.9 | 4.4 | 5.1 | 4.8 | 2.02 | 1.33 | 17.41 |
| 1941 | 6,643 | 1,995,162 | 33 | 26 | 29½ | 16.2 | 12.6 | 14.4 | 4.3 | 5.5 | 4.8 | 2.08 | 1.42 | 16.98 |
| 1940 | 6,515 | 1,995,162 | 33 | 24 | 28½ | 15.0 | 11.0 | 13.0 | 3.8 | 5.2 | 4.4 | 2.20 | 1.25 | 16.43 |
| 1939 | 6,719 | 1,995,162 | 26 | 16 | 21 | 10.3 | 6.5 | 8.4 | 3.9 | 6.3 | 4.8 | 2.56 | 1.00 | 15.31 |
| 1938 | 6,968 | 1,995,162 | 22 | 16 | 19 | 15.9 | 11.5 | 13.7 | 4.5 | 6.3 | 5.3 | 1.39 | 1.00 | 15.08 |
| 1937 | 6,714 | 1,995,162 | 23 | 19 | 21 | 15.7 | 13.1 | 14.4 | 4.3 | 5.2 | 4.7 | 1.49 | 1.00 | 14.70 |
| 1936 | 6,275 | 1,995,162 | 24 | 20 | 22 | 21.2 | 17.6 | 19.4 | 4.2 | 5.0 | 4.5 | 1.13 | 1.00 | 14.21 |
| 1935 | 5,819 | 1,995,162 | 21 | 17 | 19 | 15.8 | 12.4 | 14.1 | 4.6 | 5.9 | 5.2 | 1.37 | 1.00 | 13.86 |
| 1934 | 5,287 | 1,995,162 | 23 | 11 | 17 | 20.0 | 9.8 | 14.9 | 4.2 | 8.6 | 5.7 | 1.19 | 1.00 | 13.49 |
| 1933 | 4,795 | 1,987,362 | 16 | 9 | 12½ | 11.6 | 6.8 | 9.2 | 6.2 | 10.7 | 7.9 | 1.38 | 1.00 | 13.35 |
| 1932 | 4,375 | 1,918,575 | 16 | 9 | 12½ | 12.7 | 7.3 | 10.0 | 6.0 | 10.3 | 7.6 | 1.31 | 1.00 | 12.97 |
| 1931 | 4,131 | 2,005,608 | 19 | 13 | 16 | 15.9 | 10.7 | 13.3 | 5.1 | 7.5 | 6.1 | 1.24 | 1.00 | 12.57 |
| 1930 | 4,092 | 2,020,332 | 30 | 16 | 23 | 18.4 | 10.4 | 14.4 | 3.9 | 7.0 | 5.0 | 1.61 | 1.17 | 12.49 |

| COMMON STOCK (CONT.) | | | PREFERRED STOCK - 5% and 6% | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| As of May 31. | Depreciation per Common Share | % of Earnings Distributed to Common (e) | No. of Preferred Stockholders | No. of Shares Outstanding | Price Range Pfd. Stock(c) | | | Earnings per Preferred Share (h) | Book Value Per Sh. of Pfd. Stk. (i) |
| | | | | | High | Low | Mean | | |
| 1951 | $1.40 | 50.5% | 4,043 | 283,071 | $ - | $ - | $ - | $40.70 | $370 |
| 1950 | 1.39 | 42.4 | 4,366 | 312,965 | 129 | 124 | 127 | 42.34 | 319 |
| 1949 | 1.24 | 44.0 | 4,431 | 320,968 | 129 | 119 | 124 | 36.31 | 290 |
| 1948 | 1.09 | 38.6 | 4,516 | 321,442 | 131 | 123 | 127 | 40.65 | 265 |
| 1947 | 1.02 | 57.6 | 4,538 | 321,468 | 136 | 126 | 131 | 28.73 | 243 |
| 1946 | .79 | 50.2 | 4,599(f) | 321,470(f) | 134 | 127 | 130½ | 22.23 | 232 |
| 1945 | .77 | 49.6 | 2,685 | 221,473 | 134 | 128 | 131 | 29.23 | 280 |
| 1944 | .76 | 59.8 | 2,735 | 221,473 | 137 | 128 | 132½ | 25.09 | 267 |
| 1943 | .73 | 62.5 | 2,777 | 221,473 | 132 | 122 | 127 | 24.22 | 262 |
| 1942 | .68 | 66.0 | 2,753 | 221,473 | 132 | 125 | 128½ | 23.18 | 257 |
| 1941 | .61 | 64.2 | 2,785 | 221,473 | 131 | 118 | 124½ | 23.71 | 253 |
| 1940 | .59 | 47.1 | 2,797(g) | 221,473(g) | 129 | 125 | 127 | 25.46 | 248 |
| 1939 | .57 | 58.2 | 3,146 | 223,057 | 125 | 118 | 121½ | 28.92 | 237 |
| 1938 | .53 | 72.0 | 3,133 | 223,057 | 124 | 117 | 120½ | 18.43 | 235 |
| 1937 | .53 | 67.3 | 3,135 | 223,057 | 123 | 116 | 119½ | 19.29 | 231 |
| 1936 | .51 | 88.1 | 3,122 | 223,057 | 120 | 116 | 118 | 16.15 | 227 |
| 1935 | .50 | 72.9 | 3,088 | 223,057 | 118 | 103 | 110½ | 18.27 | 224 |
| 1934 | .50 | 84.2 | 3,069 | 223,057 | 107 | 93 | 100 | 16.63 | 221 |
| 1933 | .51 | 71.4 | 2,985 | 222,664 | 96 | 76 | 86 | 18.33 | 219 |
| 1932 | .51 | 78.4 | 2,947 | 222,664 | 100 | 85 | 92½ | 17.47 | 212 |
| 1931 | .48 | 81.1 | 2,554 | 235,444 | 99 | 89 | 94 | 16.44 | 207 |
| 1930 | .46 | 72.3 | 2,052 | 230,144 | 100 | 88 | 94 | 20.03 | 210 |

(a) Adjusted to an equivalent basis to reflect 3 for 1 split in August 1945.
(b) Not adjusted for 3 for 1 split - based on actual earnings and dividends.
(c) Price ranges and dividends paid are for the calendar year preceding the fiscal year-end.
(d) Based on book value of Common Stock and Surplus.
(e) After providing for preferred dividends.
(f) Includes stockholders of 3-3/8% Convertible Preferred, issued in September 1945.
(g) 6% Preferred exchanged, share for share, for 5% Preferred in December 1939.
(h) Based on combined preferred shares at year-end.
(i) After deducting long-term debt. Value per share based on total outstanding shares at year-end.

# STOCK DATA

The capitalization on May 31, 1951 was as follows:

| | |
|---|---|
| 3-3/8% Convertible Preferred* (Par $100) | 61,598 shs. |
| 5% Preferred (Par $100) | 221,473 shs. |
| Common Stock (No Par) | 2,067,066 shs. |

*Convertible into Common on the basis of 2 shares of Common for each share of Preferred.

(Detailed provisions of capital stock may be found on Pages 34-37.)

The continuous increase in the number of stockholders of both the preferred and common is indicative of a widening base of ownership in General Mills stock. The largest individual holder of common stock owns 3.5% of the outstanding common.

Earnings and dividends per share of common stock show two definite advances to higher plateaus -- once in 1939 and again in 1946. The proportion distributed as dividends, however, has dropped in recent years. The need for retention of earnings is explained by the additional funds required for working capital and plant expansion. During the past ten years, plant expenditures have amounted to $42 million and working capital jumped $24 million. Part of the need was met by issuing 3-3/8% Convertible Preferred Stock in the amount of $10 million and $10 million of 2-1/4% Debentures (retired on May 29, 1950), but the greater burden had to come out of current earnings.

Any recession in the need for funds will depend upon price levels, whether we carry large or small grain inventories, and the demand for more plant expansion.

The relationship between earnings and dividend payments is determined by the Board of Directors as they look at current conditions and the need for funds. Consequently, there is no defined company policy, but historically it has been the practice of the company not to approve any increase in the regular dividend rate which it is believed cannot be sustained. In this regard, General Mills is a member of a select group of stocks on the New York Stock Exchange. Only eight companies have earned and continued their regular dividend payments since 1929 without any diminution of the dividend rate. There is no assurance, of course, that this performance can be continued, but at least it sets forth the historical pattern.

Exhibit 4

## General Mills, Inc.

## CAPITAL STRUCTURE

(Dollar Amounts in Thousands)

| As of May 31. | Long-Term Debt | Preferred Stock | Total Senior Capital | Common Stock & Surplus | Minority Interest | Total Invested Capital |
|---|---|---|---|---|---|---|
| 1951 | $ - | $28,307 | $28,307 | $76,401 | $ - | $104,708 |
| 1950 | - | 31,296 | 31,296 | 68,657 | - | 99,953 |
| 1949 | 9,400 | 32,097 | 41,497 | 61,048 | - | 102,545 |
| 1948 | 9,500 | 32,144 | 41,644 | 52,993 | - | 94,637 |
| 1947 | 9,600 | 32,147 | 41,747 | 45,857 | - | 87,604 |
| 1946 | 9,700 | 32,147(a) | 41,847 | 42,554 | - | 84,401 |
| 1945 | 9,800 | 22,147 | 31,947 | 39,763 | - | 71,710 |
| 1944 | 9,900 | 22,147 | 32,047 | 37,056 | - | 69,103 |
| 1943 | - | 22,147 | 22,147 | 35,782 | - | 57,929 |
| 1942 | - | 22,147 | 22,147 | 34,744 | - | 56,891 |
| 1941 | - | 22,147 | 22,147 | 33,876 | - | 56,023 |
| 1940 | - | 22,147 | 22,147 | 32,782 | - | 54,929 |
| 1939 | - | 22,306 | 22,306 | 30,557 | - | 52,863 |
| 1938 | - | 22,306 | 22,306 | 30,106 | - | 52,412 |
| 1937 | - | 22,306 | 22,306 | 29,329 | 14 | 51,649 |
| 1936 | - | 22,306 | 22,306 | 28,350 | 21 | 50,677 |
| 1935 | - | 22,306 | 22,306 | 27,660 | 27 | 49,993 |
| 1934 | - | 22,306 | 22,306 | 26,922 | 51 | 49,279 |
| 1933 | - | 22,266 | 22,266 | 26,534 | 85 | 48,885 |
| 1932 | - | 22,266 | 22,266 | 24,888 | 89 | 47,243 |
| 1931 | - | 23,544 | 23,544 | 25,216 | 81 | 48,841 |
| 1930 | - | 23,014 | 23,014 | 25,226 | 243 | 48,483 |

| As of May 31. | % Long-Term Debt | % Preferred Stock | % Common Stock & Surplus | Net Worth at Year-End(b) | Market Value of Total Invested Capital(c) | Market Value of Common Stock(c) |
|---|---|---|---|---|---|---|
| 1951 | - % | 27.0% | 73.0% | $104,708 | $156,400 | $122,000 |
| 1950 | - | 31.3 | 68.7 | 99,953 | 147,400 | 109,200 |
| 1949 | 9.2 | 31.3 | 59.5 | 93,145 | 140,800 | 93,100 |
| 1948 | 10.0 | 34.0 | 56.0 | 85,137 | 144,000 | 96,300 |
| 1947 | 10.9 | 36.7 | 52.4 | 78,004 | 140,800 | 91,800 |
| 1946 | 11.5 | 38.1 | 50.4 | 74,701 | 146,100 | 94,800 |
| 1945 | 13.7 | 30.9 | 55.4 | 61,910 | 123,200 | 84,500 |
| 1944 | 14.4 | 32.0 | 53.6 | 59,203 | 113,200 | 74,500 |
| 1943 | - | 38.2 | 61.8 | 57,929 | 93,000 | 64,000 |
| 1942 | - | 38.9 | 61.1 | 56,891 | 78,400 | 50,500 |
| 1941 | - | 39.5 | 60.5 | 56,023 | 81,900 | 53,200 |
| 1940 | - | 40.3 | 59.7 | 55,019 | 78,500 | 51,900 |
| 1939 | - | 42.2 | 57.8 | 52,863 | 84,300 | 57,500 |
| 1938 | - | 42.6 | 57.4 | 52,412 | 64,900 | 37,900 |
| 1937 | - | 43.2 | 56.8 | 51,635 | 68,700 | 42,000 |
| 1936 | - | 44.0 | 56.0 | 50,656 | 69,300 | 42,800 |
| 1935 | - | 44.6 | 55.4 | 49,966 | 69,500 | 43,100 |
| 1934 | - | 45.3 | 54.7 | 49,228 | 61,800 | 37,200 |
| 1933 | - | 45.5 | 54.3 | 48,800 | 58,800 | 36,700 |
| 1932 | - | 47.1 | 52.7 | 47,554 | 37,100 | 19,200 |
| 1931 | - | 48.2 | 51.6 | 48,760 | 48,700 | 25,700 |
| 1930 | - | 47.5 | 52.0 | 48,240 | 54,100 | 33,000 |

(a) 3-3/8% Cumulative Convertible Preferred Stock of $10,000,000 issued in September, 1945.

(b) Net worth consists of preferred and common stock plus surplus.

(c) Based on closing market quotations of stock as of May 31 of each fiscal year.

## CAPITAL STRUCTURE

Major financing steps in the past twenty-one years consisted of the following:

1. In December 1939, the 5% Preferred stock was issued in a share-for-share exchange for former 6% Preferred (Par $100). 1,584 unexchanged shares were retired January 1, 1940.

2. On January 1, 1944, $10,000,000 of 2¼% sinking fund debentures, due January 1, 1954, were issued to meet working capital and other needs for funds. The debentures were redeemed in full as of May 29, 1950.

3. In August 1945, the Common Stock was split 3 for 1.

4. In September 1945, $10,000,000 (par $100) of 3-3/8% Convertible Preferred was issued to provide funds for fixed facilities and other corporate purposes. As of May 31, 1951, 38,402 shares of this preferred issue had been converted to common.

Thus, in the past twenty-one years a net amount of only $10 million has been raised by long-term financing. In the same period, common stock and surplus increased $51 million, mainly through retention of earnings after dividends, and most of this growth took place in the last ten years.

Whereas the preferred stock comprised around 45% of the total invested capital in the early years of General Mills, it has since declined to 27%. And now common stock and surplus, which has been enhanced substantially through retention of earnings, represents 73%. Complete conversion of the 3-3/8% convertible preferred stock would, of course, increase the common stock and surplus proportion.

## GROWTH SINCE 1938-39 DUE TO ADDED VOLUME

In measuring the growth of General Mills, 1938-39 has been selected as a base year for comparison with 1950-51.

Working capital has increased $24 million. Receivables alone jumped $23 million and inventories $37 million - obviously bills payable have increased to fill the gap. Greater volume and rising price levels have brought about this thirst for working capital.

In respect to plant facilities, gross values have doubled, increasing from $40 to $80 million since 1938-39. Major plant expenditures include the Los Angeles flour mill; the Chemoil plant at Kankakee; the soybean processing unit at Belmond, Iowa; two new cereal plants - one at Buffalo and the other at Lodi, California. Other additions include the Mechanical facilities, oat processing mills at Minneapolis and Keokuk, and the Special Commodities plant at Keokuk. Research facilities have also been expanded. In addition, substantial sums have been spent to improve the efficiency of older facilities. Better sanitation methods, the installation of high-speed packing machines, larger and better warehousing facilities, new methods for improving flour yields - all of these things and many more have required considerable expenditures of money.

Growth is not only reflected in working capital and plant properties, but also in physical volume. In 1938-39, sales income for that year amounted to $122 million as compared with $436 million in 1950-51. An analysis by activities or products indicates that increased volume in older products plus sales of new products introduced since 1938-39 added a total of $122 million to our sales income for 1950-51. Thus, 28% of the 1950-51 sales income is due to greater volume over 1938-39 levels.

The principal older products involved in this volume growth are: Flour, Formula Feeds, Wheaties, Bisquick, Softasilk, and Sperry Package Foods.

The new products or activities added since 1938-39 are: Purity Oats, Cheerios, Crustquick, Cake Mixes, and the Mechanical, Chemical, and Special Commodities divisions.

In analyzing earnings much in the same manner as we did sales growth, we find that added volume contributed to the company's earning power in 1950-51 as follows:

| | Gross Operating Profit |
|---|---|
| Total | 100% |
| Earnings on old products at 1938-39 volume level | 49 |
| Earnings due to expansion of volume of old products over 1938-39 level | 27 |
| Earnings due to new products or activities added since 1938-39 | 24 |

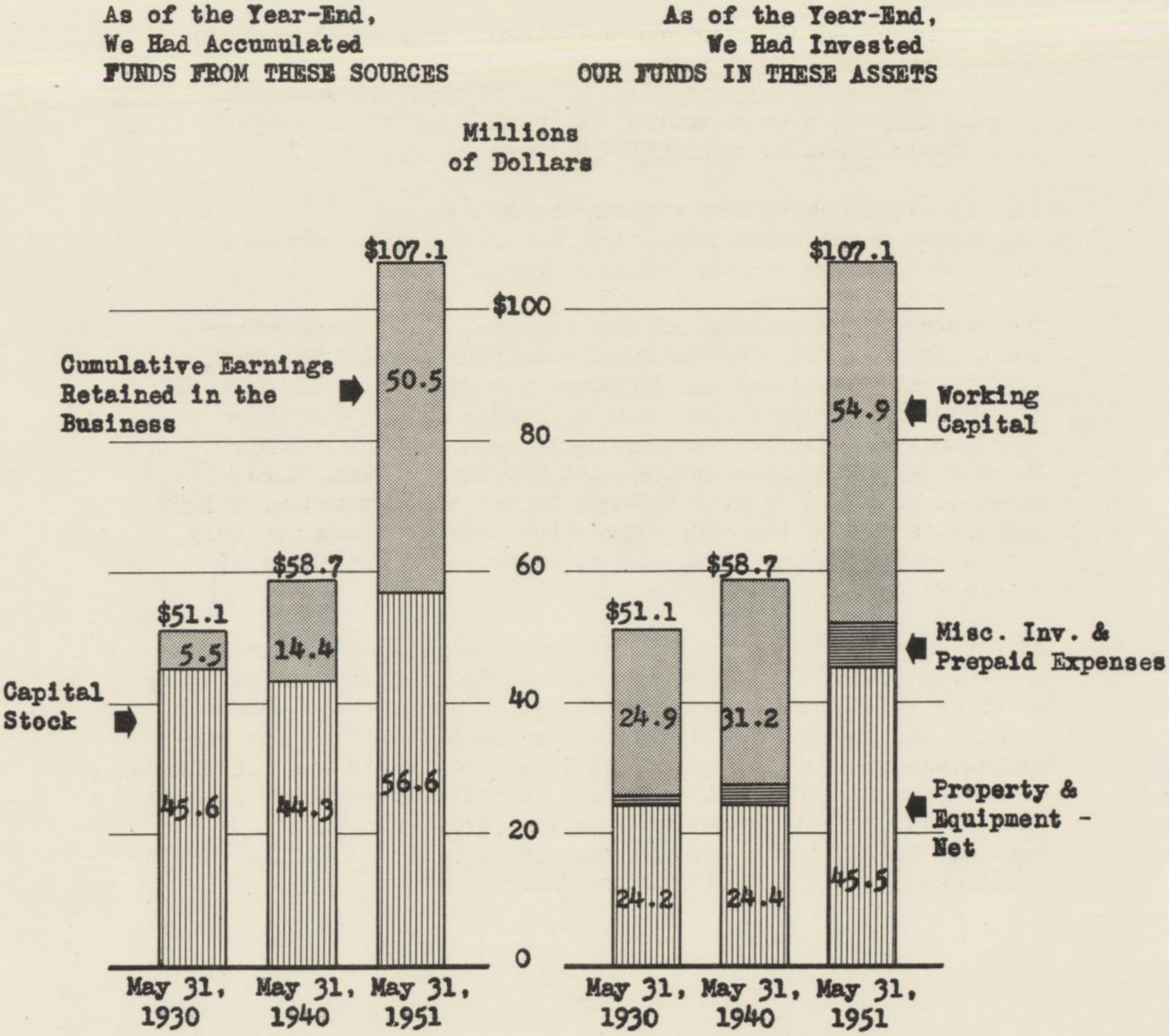
The above summary emphasizes the important part that volume growth has played in enhancing the company's earning power, having contributed 51% to the company's gross operating profit for 1950-51.

It is interesting to note that the return on sales of new products amounted to 9.7% (before taxes) as compared with 5.9% (before taxes) on the older products. New products not only broadened the volume base, but also increased the level of profit margins.

While new products or activities represent 24% of the gross operating profit for 1950-51, the contribution of this category would be less impressive after taxes. Some of these products were in the development stage during the base period for computing excess profits taxes, and consequently did not contribute to the base period earnings. Thus, earnings from these sources during the present Excess Profits Tax period are bearing a heavy tax, but should add a greater contribution in the future when no longer subject to Excess Profits Tax.

Exhibit 5

## TWENTY-ONE YEARS OF CAPITAL GROWTH



## TWENTY-ONE YEARS OF CAPITAL GROWTH

As previously stated, and as can be seen from the opposite chart, the substantial demands for additional working capital and investment in plant facilities have been met mainly by reinvestment of approximately $50.5 millions of earnings plus $10 million of new capital.

Working capital remained at around $25 - $30 million all during the thirties and up to 1943, and during the same period net plant remained at the $20 million level.

Since then, working capital has subsided from a peak of $60 million on May 31, 1946 to $55 million on May 31, 1951, and the net investment in property has climbed to $45 million. It is interesting to note that exclusive of the positions in 1946, when new funds were resting temporarily in Working Capital pending expenditures for fixed facilities, the proportion of each of these segments to net worth has not shown any major change over the years.

Exhibit 6

General Mills, Inc.

## FINANCIAL STATEMENT RATIOS

| As of May 31, | % of Current Assets Represented By | | | Cash Items Times Current Liabilities | Cash & Inventory Times Current Liabilities | Current Assets Times Current Liabilities | Inventories Per Common Share (a) | Working Capital | |
|---|---|---|---|---|---|---|---|---|---|
| | Cash Items | Receiv-ables | Inven-tories | | | | | Per Sh. of Preferred Stock (b) | Per Sh. of Common Stock (c) |
| 1951 | 16.3% | 29.7% | 54.0% | 0.4 | 1.5 | 2.2 | $26.27 | $194 | $12.87 |
| 1950 | 28.1 | 31.1 | 40.8 | 0.9 | 2.2 | 3.2 | 15.74 | 170 | 10.91 |
| 1949 | 40.3 | 27.8 | 31.9 | 1.4 | 2.5 | 3.5 | 12.43 | 144 | 7.07 |
| 1948 | 26.4 | 32.4 | 41.2 | 0.8 | 2.1 | 3.2 | 16.75 | 143 | 6.97 |
| 1947 | 23.3 | 29.6 | 47.1 | 0.8 | 2.4 | 3.5 | 19.20 | 150 | 8.11 |
| 1946 | 56.0 | 16.2 | 27.8 | 2.2 | 3.4 | 4.0 | 11.11 | 157 | 9.11 |
| 1945 | 19.9 | 23.3 | 56.8 | 0.6 | 2.5 | 3.3 | 19.30 | 169 | 7.71 |
| 1944 | 23.9 | 22.2 | 53.9 | 0.8 | 2.4 | 3.1 | 18.06 | 161 | 6.83 |
| 1943 | 11.3 | 21.7 | 67.0 | 0.3 | 1.8 | 2.3 | 20.95 | 157 | 6.30 |
| 1942 | 10.0 | 23.9 | 66.1 | 0.3 | 2.2 | 2.8 | 16.67 | 147 | 5.22 |
| 1941 | 19.7 | 23.8 | 56.5 | 1.2 | 4.6 | 6.1 | 11.07 | 147 | 5.23 |
| 1940 | 10.0 | 22.9 | 67.1 | 0.7 | 5.2 | 6.8 | 12.33 | 141 | 4.55 |
| 1939 | 35.1 | 18.5 | 46.4 | 1.9 | 4.5 | 5.5 | 8.76 | 139 | 4.35 |
| 1938 | 33.9 | 24.0 | 42.1 | 2.9 | 6.5 | 8.6 | 7.47 | 140 | 4.47 |
| 1937 | 23.6 | 29.2 | 47.2 | 1.6 | 4.7 | 6.6 | 8.62 | 138 | 4.30 |
| 1936 | 30.6 | 25.6 | 43.8 | 2.4 | 5.8 | 7.9 | 7.76 | 139 | 4.32 |
| 1935 | 20.0 | 27.2 | 52.8 | 1.2 | 4.2 | 5.8 | 9.42 | 132 | 3.60 |
| 1934 | 11.8 | 26.7 | 61.5 | 0.6 | 3.8 | 5.2 | 10.77 | 126 | 2.91 |
| 1933 | 16.2 | 19.3 | 64.5 | 1.0 | 4.9 | 6.1 | 10.67 | 123 | 2.57 |
| 1932 | 32.8 | 22.5 | 44.7 | 2.2 | 5.2 | 6.7 | 6.84 | 113 | 1.45 |
| 1931 | 35.4 | 27.2 | 37.4 | 2.1 | 4.3 | 5.9 | 5.73 | 109 | 1.03 |
| 1930 | 6.9 | 25.8 | 67.3 | 0.3 | 2.9 | 4.0 | 11.09 | 108 | .94 |

| As of May 31, | Invested Capital | | % of Current Assets to Net Worth | % of Working Capital to Net Worth | % of Property to Net Worth | % Property Depreciated | Annual Depreciation to Gross Property (d) | Expenditures for Plant & Equipment (e) |
|---|---|---|---|---|---|---|---|---|
| | Book Value Per Sh. of Pfd. Stk. (b) | Book Value Per Sh. of Com. Stk. (c) | | | | | | |
| 1951 | $370 | $36.96 | 96% | 52% | 43% | 45% | 3.7% | $4,758 |
| 1950 | 319 | 34.12 | 78 | 53 | 44 | 43 | 3.8 | 2,023 |
| 1949 | 290 | 30.58 | 84 | 60 | 48 | 40 | 3.4 | 8,433 |
| 1948 | 265 | 26.55 | 95 | 65 | 45 | 42 | 3.4 | 11,244 |
| 1947 | 243 | 22.98 | 104 | 74 | 38 | 48 | 3.8 | 5,797 |
| 1946 | 232 | 21.33 | 107 | 80 | 34 | 49 | 3.2 | 2,602 |
| 1945 | 280 | 19.93 | 110 | 76 | 40 | 48 | 3.3 | 2,416 |
| 1944 | 267 | 18.57 | 113 | 77 | 41 | 48 | 3.4 | 2,055 |
| 1943 | 262 | 17.93 | 108 | 60 | 41 | 47 | 3.4 | 851 |
| 1942 | 257 | 17.41 | 89 | 57 | 43 | 44 | 3.2 | 1,698 |
| 1941 | 253 | 16.98 | 70 | 58 | 43 | 44 | 2.9 | 1,392 |
| 1940 | 248 | 16.43 | 67 | 57 | 44 | 43 | 2.8 | 2,821 |
| 1939 | 237 | 15.31 | 72 | 59 | 43 | 44 | 2.9 | 1,368 |
| 1938 | 235 | 15.08 | 68 | 60 | 42 | 43 | 2.8 | 1,495 |
| 1937 | 231 | 14.70 | 70 | 60 | 43 | 43 | 2.8 | 1,983 |
| 1936 | 227 | 14.21 | 70 | 61 | 42 | 44 | 2.8 | 579 |
| 1935 | 224 | 13.86 | 71 | 59 | 44 | 42 | 2.8 | 730 |
| 1934 | 221 | 13.49 | 71 | 57 | 45 | 40 | 2.8 | 623 |
| 1933 | 219 | 13.35 | 67 | 56 | 46 | 39 | 2.8 | 360 |
| 1932 | 212 | 12.97 | 62 | 53 | 50 | 38 | 2.7 | 577 |
| 1931 | 207 | 12.57 | 63 | 53 | 49 | 36 | 2.7 | 813 |
| 1930 | 210 | 12.49 | 69 | 52 | 50 | 35 | 2.6 | 2,831 |

(a) Number of shares adjusted for 3 for 1 split in August, 1945.
(b) After deducting long-term debt. Value per share based on total outstanding shares at year-end.
(c) After deducting long-term debt and preferred stock. Value per share based on outstanding shares at year-end, with the number of shares adjusted for 3 for 1 split in August 1945.
(d) Excludes automobile equipment and depreciation thereon.
(e) Dollar amounts in thousands.

## FINANCIAL STATEMENT RATIOS

In appraising the liquidity of working capital, consideration should be given to the close relationship between cash and inventory positions. Traditionally the cash balances of General Mills go up and down in inverse ratio to the fluctuations in grain inventories. During the thirties, grain market conditions frequently were conducive to the ownership of grain, and the year-ends reflected substantial investments in grain inventories and comparatively low cash balances. In contrast, due to market circumstances and governmental influences, the ownership of large grain inventories has not been particularly attractive during the post-war period. Cash balances as a consequence generally have been larger. This was not entirely true on May 31, 1951, however, when grain inventories were the highest since 1945, but still below prewar averages.

With these inter-relationships, and in view of open markets readily available for converting grain into cash, the company has always looked upon grain as a complement to cash balances in measuring liquidity and adequacy of working capital.

The ratio of working capital to net worth climbed to 80% on May 31, 1946; subsided to a more normal 52% on May 31, 1951. The ratio of property to net worth moved in the opposite direction, dropping to a low of 34% on May 31, 1946, but rose back up to a more normal range of 45 - 50%.

## METHODS AND EXTENT OF INVENTORY HEDGE

The company endeavors to hedge its flour and soybean product unfilled orders and inventories of raw material and finished goods whenever adequate hedging facilities exist. Hedging enables the company to decrease substantially speculative grain risks. Hedging is ordinarily associated with dealing in futures on the various grain exchanges of the country, and although frequently hedging does involve future trading, it is possible under certain conditions, for a mill to hedge without trading in futures.

A hedge is maintained by matching each purchase of a commodity such as wheat by a sale on the same price level of the same commodity, or a product made from it, such as flour. The price must fluctuate proportionately so that the speculative risk involved as a result of changes in price level is greatly reduced and often entirely eliminated. As long as a mill can buy cash wheat in the same volume that it sells flour, it maintains a hedge without the necessity of trading in futures. If a mill has 1,000,000 bushels of wheat on hand and has open flour sales to customers that will exactly utilize this wheat, the subsequent fluctuations in the wheat market will not affect the mill's profit or loss.

Very often, however, a mill cannot keep a perfect balance between wheat purchases and flour sales. Ordinarily, during the harvest months a large portion of the wheat crop is marketed, and the mill must secure a good proportion of its yearly requirements before the wheat has passed its door. Even if it is felt that there will be an abundance of wheat available at a later date, the problem of proper milling quality enters into the picture, as the wheat which will be available later may be of a less desirable character. Therefore, there is every reason for a mill to build up its stock of wheat during the marketing season, and without particular regard to whether flour is being sold in the same ratio as wheat is being purchased. As a result, on some days wheat purchases will exceed flour sales, and on other days, the condition will be reversed.

In order to balance the daily trades....in other words, to maintain the hedge....the mill buys futures when its sales of flour are greater than its purchases of wheat and sells futures to the extent that its purchases of wheat are greater than its sales of flour.

Future trades are contracts to receive or to deliver a specified number of bushels of cash grain, maturity of these contracts falling in a certain specified future month.....most frequently July, September, December, or May. Prior to maturity these contracts may be offset by a trade in the opposite direction, with settlement for profit or loss on the difference between buying and selling prices. But if these contracts are not offset, the buyer must receive and the seller must deliver cash grain according to the contract at some date during the maturity month, the exact day of delivery being at the option of the seller. (Thus, these contracts are frequently known as "options".)

To illustrate the theory in which future trading is utilized by a mill in its hedging operations, assume that on a certain day a mill purchases 50,000 bushels of cash wheat, but that only 10,000 bushels of wheat will be required for flour sold that day. Under these circumstances, the mill will sell 40,000 bushels of futures. Then assume the next day the wheat market declined 3¢ per bushel. The loss on the 40,000 bushels of cash wheat owned in excess of flour sales requirements would be offset by a profit of a similar amount on the futures which had been sold. The mill, therefore, would be in a position to sell out this 40,000 bushels of wheat in the form of flour at the 3¢ per bushel lower price without incurring any actual loss. If the market had gone in the opposite direction, there would have been a loss instead of a profit on the future trade, but this loss would have been offset by the profit resulting from the increased value of the wheat on hand. Therefore, the results would have been the same regardless of the direction of changes in wheat prices.

By maintaining a hedged position, the mill seeks protection against speculative losses on the wheat market. General Mills does not look to speculation as a source of profit, but rather to merchandising and manufacturing operations. The profitableness of a mill's operations depends not upon the gyrations of the grain markets, but upon the margin between the price paid for wheat and the price secured on flour and by-products sold to customers on the same cash market level, and upon the efficiency of its manufacturing department in producing flour at a low cost per cwt.

As a result of this hedging mechanism, the effect of fluctuations in wheat prices on the earnings of General Mills is greatly minimized. This situation in the flour milling business is in marked contrast to that in many other industries, where the same opportunities for hedging do not exist. This brings about greater stability in the annual earnings of the company, which over a period of years is beneficial to stockholders interested in the maintenance of dividends at a satisfactory rate.

Exhibit 7

## General Mills, Inc.

### EARNINGS RATIOS

(Dollar Amounts in Thousands)

| For the Fiscal Year Ended May 31, | Net Earnings | Index of Earnings 1935-39 = 100% | Return on Sales | Return on Beginning Net Worth | Return on Net Fixed Assets | Interest - Times Earned (After Inc.Tax) | Interest & Pfd.Divds.- Times Earned |
|---|---|---|---|---|---|---|---|
| 1951 | $11,521 | 256% | 2.6% | 11.5% | 25.4% | 19.9 | 6.0 |
| 1950 | 13,251 | 294 | 3.3 | 14.2 | 30.4 | 28.0 | 7.1 |
| 1949 | 11,654 | 259 | 2.8 | 13.7 | 26.2 | 27.6 | 6.4 |
| 1948 | 13,068 | 290 | 2.9 | 16.8 | 34.0 | 23.5 | 6.7 |
| 1947 | 9,236 | 205 | 2.5 | 12.4 | 31.5 | 31.9 | 5.5 |
| 1946 | 7,146 | 159 | 2.4 | 11.5 | 27.8 | 24.3 | 4.5 |
| 1945 | 6,474 | 144 | 2.3 | 10.9 | 25.9 | 21.8 | 4.8 |
| 1944 | 5,556 | 123 | 2.0 | 9.6 | 23.0 | 20.0 | 4.2 |
| 1943 | 5,365 | 119 | 2.5 | 9.4 | 22.4 | 34.3 | 4.4 |
| 1942 | 5,135 | 114 | 3.1 | 9.2 | 20.9 | 33.3 | 4.2 |
| 1941 | 5,251 | 116 | 4.1 | 9.5 | 21.5 | - | 4.6 |
| 1940 | 5,639 | 125 | 4.5 | 10.7 | 23.1 | 85.1 | 4.4 |
| 1939 | 6,451 | 143 | 5.3 | 12.3 | 28.6 | - | 4.4 |
| 1938 | 4,110 | 91 | 2.7 | 8.0 | 18.5 | 29.5 | 2.9 |
| 1937 | 4,303 | 95 | 2.7 | 8.5 | 19.6 | 26.5 | 2.9 |
| 1936 | 3,602 | 80 | 2.4 | 7.2 | 16.8 | 17.3 | 2.5 |
| 1935 | 4,075 | 90 | 2.9 | 8.3 | 18.6 | 17.9 | 2.7 |
| 1934 | 3,710 | 82 | 3.1 | 7.6 | 16.7 | 14.3 | 2.5 |
| 1933 | 4,082 | 91 | 4.9 | 8.6 | 18.0 | 44.8 | 2.9 |
| 1932 | 3,891 | 86 | 4.5 | 8.0 | 16.5 | 25.5 | 2.6 |
| 1931 | 3,870 | 86 | 3.2 | 8.0 | 16.1 | 7.3 | 2.2 |
| 1930 | 4,609 | 102 | 2.8 | 9.8 | 19.0 | 3.1 | 1.9 |
| Averages (1946-1951) | $10,979 |  | 2.8% | 13.4% | 29.2% |  |  |
| Averages (1940-1945) | 5,570 |  | 3.1 | 9.9 | 22.8 |  |  |
| Averages (1935-1939) | 4,508 |  | 3.2 | 8.9 | 20.4 |  |  |

### SALES RATIOS

(Dollar Amounts in Thousands)

| For the Fiscal Year Ended May 31, | Net Sales Income | Index of Sales 1935-39 = 100% (a) | Net Sales Per $ Receivables | Net Sales Per $ Inventories | Net Sales Per $ Working Capital | Net Sales Per $ Gross Plant | Net Sales Per $ Net Plant |
|---|---|---|---|---|---|---|---|
| 1951 | $435,948 | 301% | $14.59 | $8.01 | $7.94 | $5.44 | $9.61 |
| 1950 | 395,835 | 273 | 16.42 | 12.50 | 7.43 | 5.21 | 9.09 |
| 1949 | 410,647 | 283 | 18.99 | 16.55 | 7.39 | 5.50 | 9.26 |
| 1948 | 458,474 | 316 | 17.41 | 13.70 | 8.25 | 6.85 | 11.90 |
| 1947 | 370,932 | 256 | 15.42 | 9.70 | 6.41 | 6.61 | 12.67 |
| 1946 | 298,792 | 206 | 23.02 | 13.45 | 4.98 | 5.88 | 11.62 |
| 1945 | 280,839 | 194 | 17.73 | 7.30 | 5.93 | 5.80 | 11.23 |
| 1944 | 281,198 | 194 | 18.90 | 7.78 | 6.14 | 6.07 | 11.65 |
| 1943 | 217,486 | 150 | 16.10 | 5.20 | 6.26 | 4.85 | 9.10 |
| 1942 | 163,412 | 112 | 13.58 | 4.91 | 5.01 | 3.69 | 6.65 |
| 1941 | 126,938 | 88 | 13.67 | 5.74 | 3.89 | 2.92 | 5.20 |
| 1940 | 125,574 | 86 | 14.93 | 5.11 | 4.02 | 2.93 | 5.14 |
| 1939 | 121,943 | 84 | 17.40 | 6.98 | 3.94 | 3.01 | 5.39 |
| 1938 | 152,673 | 105 | 17.99 | 10.25 | 4.87 | 3.88 | 6.88 |
| 1937 | 159,980 | 110 | 15.09 | 9.30 | 5.18 | 4.12 | 7.28 |
| 1936 | 147,380 | 102 | 16.26 | 9.51 | 4.76 | 3.88 | 6.86 |
| 1935 | 143,074 | 99 | 14.70 | 7.62 | 4.85 | 3.81 | 6.54 |
| 1934 | 118,092 | 81 | 12.70 | 5.50 | 4.19 | 3.17 | 5.32 |
| 1933 | 83,886 | 58 | 13.28 | 3.96 | 3.06 | 2.27 | 3.69 |
| 1932 | 87,166 | 60 | 13.17 | 6.66 | 3.49 | 2.30 | 3.70 |
| 1931 | 122,746 | 85 | 14.66 | 10.66 | 4.80 | 3.27 | 5.11 |
| 1930 | 163,072 | 112 | 19.00 | 7.24 | 6.56 | 4.40 | 6.75 |

(a) Average Sales 1935-39 = $145 Million.

## EARNINGS AND SALES RATIOS

As is generally customary in the food industry, and particularly in flour milling, the returns per dollar of sales are relatively low but steady. The climb to new heights during the postwar period has been in line with greater sales volume and the additional investment required.

In review of earnings ratios, recognition should be given to the impact of excess profits taxes on net earnings during World War II and again in 1950-51.

During the period from 1940-41 to 1945-46 the Excess Profits Tax law of World War II was in effect. During that period of time the earnings in excess of $7,886,000 to $8,383,000 were subject to excess profits tax rates varying to a high of 85.5%.

In 1950-51 earnings in excess of approximately $20,000,000 were subject to excess profits taxes at a rate of 27½% over and above the regular income tax rates of nearly 44½%.

It is estimated that for the year 1951-52 earnings in excess of $20,500,000 to $21,000,000 will be subject to an excess profits tax rate of 30% over and above regular income tax rates of 52%. The increase in the amount of earnings which will not be subject to the excess profits tax rate in fiscal 1952 over fiscal 1951 is a combination of (1) changes made in the excess profits tax law by the Revenue Act of 1951, (2) an allowance for earnings retained from the 1951 fiscal year, and (3) a not now definitely known increase in average borrowed capital for this year.

The return on sales has remained fairly constant, although the postwar average of 2.8% is slightly below prewar experience. The high earnings per sales dollars shown for 1933 and 1939 represent years in which price levels dipped sharply without a corresponding adjustment of margins. Interestingly enough, earnings per sales dollar declined noticeably in each of the following years.

The return on beginning net worth climbed from a prewar 8-9% to around 13-14% during the postwar period but dropped to 11.5% for 1950-51. It not only has kept pace with the growth in net worth, but, more significantly, even advanced to higher levels. A combination of several factors brought about this improvement. In the first place, the company produced more goods and services without proportionate increases in net worth. This is revealed by higher turn-over ratios of working capital and plant in relation to sales. Secondly, a share of the company's business has been channeled into lines yielding higher returns. Thirdly, there is the effect of comparing earnings based on inflated dollars with a net worth which contains, in part, prewar dollars. Obviously such a comparison has a tendency to overstate the return.

The return on fixed assets, increasing from 20% in 1935-39 to 29% in the postwar period, has been similarly influenced. The expenditure of $35 million for plant facilities during the past six years has added to the company's earning power and the older facilities produced more goods and services than before.

The sales ratios, shown at the bottom of page 26, are expressed to provide the amount of sales income produced by each dollar of investment. The dollar figures may also be interpreted as turnover ratios. For example, in 1950-51, receivables turned over 15 times or about every 24 days; inventories turned over 8 times or every 45 days; working capital turned over once every 46 days; and net plant shows a turnover of ten times or about every 36 days.

The rate of turnover of working capital remained within fairly comfortable limits during the thirties, but rose to higher levels in recent years when demands for working capital required the utmost use of each dollar.

It should be kept in mind that these ratios are based on year-end balances which are not entirely representative of average monthly receivables, inventories, etc. This is particularly true of inventories, since they are highly seasonal and greatly influenced by grain market conditions.

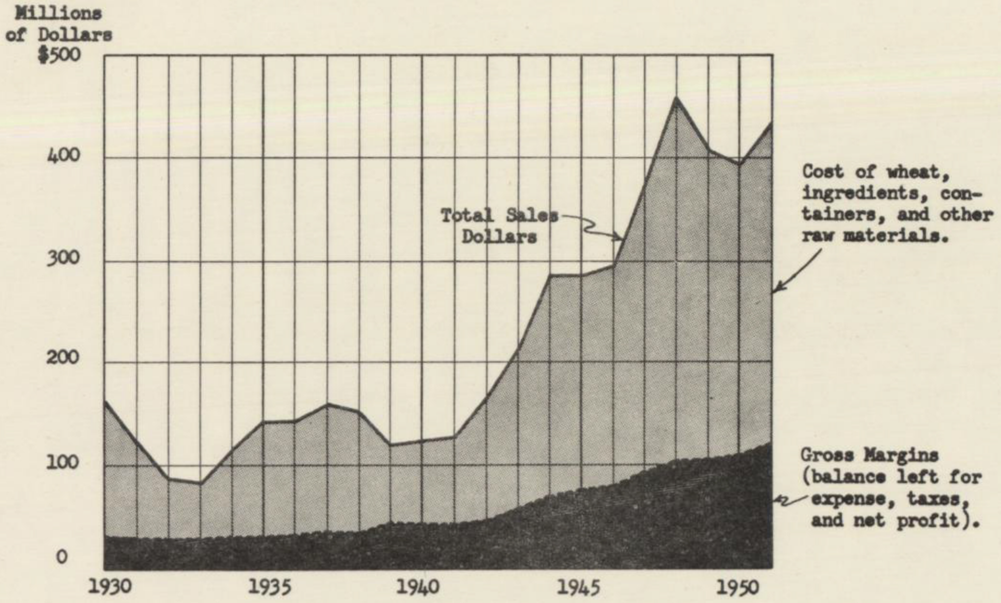
In terms of historical trend, the sales income produced for each dollar of investment or turnover figures, seems on the whole to be slightly better during the postwar period than in the 1930's.

## Exhibit 8

### General Mills, Inc.

### SALES AND GROSS MARGINS

### 1930 through 1951



## Exhibit 9

### RATIO OF EXPENSE AND NET PROFITS TO GROSS MARGINS

| For the Fiscal Year Ended May 31, | Gross Margins | Expense | | | Net Income Before Taxes | Income Taxes | Net Earnings |
|---|---|---|---|---|---|---|---|
| | | Total | Employment Costs | Other Expense | | | |
| 1951 | 100% | 80% | 41% | 39% | 20% | 11% | 9% |
| 1950 | 100 | 81 | 41 | 40 | 19 | 7 | 12 |
| 1949 | 100 | 83 | 41 | 42 | 17 | 6 | 11 |
| 1948 | 100 | 80 | 40 | 40 | 20 | 8 | 12 |
| 1947 | 100 | 82 | 40 | 42 | 18 | 8 | 10 |
| 1946 | 100 | 81 | 40 | 41 | 19 | 10 | 9 |
| 1945 | 100 | 79 | 41 | 38 | 21 | 12 | 9 |
| 1944 | 100 | 77 | 40 | 37 | 23 | 15 | 8 |
| 1943 | 100 | 76 | 39 | 37 | 24 | 15 | 9 |
| 1942 | 100 | 83 | 37 | 46 | 17 | 7 | 10 |
| 1941 | 100 | 83 | 37 | 46 | 17 | 4 | 13 |
| 1940 | 100 | 84 | 34 | 50 | 16 | 2 | 14 |
| 1939 | 100 | 82 | 32 | 50 | 18 | 3 | 15 |
| 1938 | 100 | 87 | 38 | 49 | 13 | 2 | 11 |
| 1937 | 100 | 85 | 35 | 50 | 15 | 3 | 12 |
| 1936 | 100 | 87 | 37 | 50 | 13 | 2 | 11 |
| 1935 | 100 | 84 | 36 | 48 | 16 | 3 | 13 |
| 1934 | 100 | 86 | 35 | 51 | 14 | 2 | 12 |
| 1933 | 100 | 83 | 33 | 50 | 17 | 3 | 14 |
| 1932 | 100 | 84 | 37 | 48 | 16 | 2 | 14 |
| 1931 | 100 | 85 | 39 | 46 | 15 | 2 | 13 |
| 1930 | 100 | 83 | 35 | 48 | 17 | 2 | 15 |

## GROSS MARGINS AND EXPENSE

Mainly because the larger share of our raw material purchases are covered by the hedging facility, General Mills gives only minor attention to sales income and ratios of expense and profit to sales as operating guides to profits. As pointed out in the hedging section, the profit of flour milling is not dependent upon the price of wheat, but upon the margin between the price paid for wheat and the price secured on flour and its by-products. Consequently, the emphasis in flour, and other lines as well, is on gross margins over materials. Margins over materials represent sales income less the cost of wheat, ingredients, sacks, and other raw materials used in the manufacture of products. The gross margins are thus available to cover all expense and profit.

The relationship of gross margins to sales income has little significance as margins do not go up or down with changes in wheat prices or costs of other commodities.

The chart at the bottom of the opposite page reflects the disposition of gross margins and the interdependency of one factor on another. In spite of terrific increases in expense, company management has been able to maintain a steady ratio of expense to gross margins, which, in turn, provides a rather constant ratio of gross profit (before taxes) to gross margins. During the thirties, the ratio of expense ran around 85% of gross margins, but this ratio has been reduced to 80% - 83% during recent years by increasing margins. Similarly, gross profits in the prewar period approximated 14% to 17%, and during the past six years have been raised to 18% - 20%. The range of fluctuation has been fairly narrow, although slight changes in percentage relationships have a substantial effect on dollar amounts.

The big bite has come from income taxes. Up to 1940, income taxes took only 2% - 3% of gross margins, and then the ratio rose to 12% - 15% during World War II, principally because of excess profits taxes. The ratio subsided after the war, but it is back to 11% during 1950-51. Net earnings of 12% - 15% of gross margins during the thirties are now down to 9% for 1950-51.

General Mills, Inc.

## EARNINGS

(Dollar Amounts in Thousands)

| For the Fiscal Yr. Ended May 31, | Net Sales | Selling, General & Adm. Expense | Maintenance and Repairs | Taxes Other Than Income | Operating Income Before Depreciation | Depreciation | Net Profit from Operations | Other Income and Deductions-Net | Interest Paid | Income Before Income Taxes |
|---|---|---|---|---|---|---|---|---|---|---|
| 1951 | $435,948 | $52,411 | $4,929 | $3,269 | $27,846 | $2,888 | $24,958 | $198 | $579 | $24,577 |
| 1950 | 395,835 | 46,258 | 4,465 | 2,940 | 23,956 | 2,791 | 21,165 | 147 | 491 | 20,821 |
| 1949 | 410,647 | 43,580 | 5,218 | 2,481 | 20,443 | 2,482 | 17,961 | 333 | 438 | 17,856 |
| 1948 | 458,474 | 41,712 | 5,027 | 2,353 | 24,782 | 2,181 | 22,601 | 44 | 581 | 22,064 |
| 1947 | 370,932 | 37,604 | 4,238 | 2,587 | 18,787 | 2,043 | 16,744 | 105 | 299 | 16,550 |
| 1946 | 298,792 | 32,299 | 2,620 | 2,147 | 17,044 | 1,581 | 15,463 | 111 | 307 | 15,267 |
| 1945 | 280,839 | 29,099 | 2,020 | 2,273 | 17,211 | 1,527 | 15,684 | 72 | 311 | 15,445 |
| 1944 | 281,198 | 26,829 | 1,881 | 2,538 | 18,320 | 1,508 | 16,812 | -9 | 293 | 16,510 |
| 1943 | 217,486 | 23,579 | 1,496 | 1,981 | 16,496 | 1,466 | 15,030 | 15 | 161 | 14,884 |
| 1942 | 163,412 | 22,383 | 1,084 | 1,669 | 9,906 | 1,347 | 8,559 | 33 | 159 | 8,433 |
| 1941 | 126,938 | 20,474 | 752 | 1,458 | 8,126 | 1,209 | 6,917 | 18 | 43 | 6,892 |
| 1940 | 125,574 | 22,061 | 924 | 1,548 | 7,839 | 1,175 | 6,664 | 55 | 67 | 6,652 |
| 1939 | 121,943 | 21,565 | 1,334 | 1,571 | 9,052 | 1,142 | 7,910 | 81 | 25 | 7,966 |
| 1938 | 152,673 | 19,021 | 818 | 1,316 | 5,872 | 1,067 | 4,805 | 68 | 144 | 4,729 |
| 1937 | 159,980 | 18,254 | 1,175 | 1,349 | 6,869 | 1,060 | 5,809 | 45 | 169 | 5,685 |
| 1936 | 147,380 | 16,618 | 901 | 1,065 | 5,541 | 1,025 | 4,516 | 72 | 221 | 4,367 |
| 1935 | 143,074 | 15,635 | 802 | 728 | 6,084 | 1,003 | 5,081 | 114 | 241 | 4,954 |
| 1934 | 118,092 | 16,685 | n.a. | 846 | 5,452 | 1,005 | 4,447 | 208 | 278 | 4,377 |
| 1933 | 83,886 | 15,370 | n.a. | 684 | 5,567 | 1,006 | 4,561 | 334 | 93 | 4,802 |
| 1932 | 87,166 | 15,083 | n.a. | n.a. | 5,348 | 988 | 4,360 | 341 | 159 | 4,542 |
| 1931 | 122,746 | 14,450 | n.a. | n.a. | 5,848 | 963 | 4,885 | 146 | 614 | 4,417 |
| 1930 | 163,072 | 16,126 | n.a. | n.a. | 8,242 | 920 | 7,322 | 112 | 2,176 | 5,258 |

| For the Fiscal Yr. Ended May 31, | Income Taxes |  | Net Earnings | Preferred Stock Dividends | Net Income After Pfd. Dividends | Common Stock Dividends | Total Dividends | Reinvested Earnings | Changes in Surplus |  | Surplus at Year-End |
|---|---|---|---|---|---|---|---|---|---|---|---|
|  | Other Than Excess Profits | Excess Profits |  |  |  |  |  |  | Other Additions | Deductions |  |
| 1951 | $11,452 | $1,604 | $11,521 | $1,352 | $10,169 | $5,132 | $6,484 | $5,037 | $ - | $ - | $48,128 |
| 1950 | 7,570 | - | 13,251 | 1,434 | 11,817 | 5,009 | 6,443 | 6,808 | - | - | 43,091 |
| 1949 | 6,202 | - | 11,654 | 1,444 | 10,210 | 4,490 | 5,934 | 5,720 | 2,288(a) | 8,023(b) | 36,283 |
| 1948 | 8,986 | 10 | 13,068 | 1,445 | 11,623 | 4,489 | 5,934 | 7,134 | - | - | 36,298 |
| 1947 | 7,293 | 21 | 9,236 | 1,445 | 7,791 | 4,489 | 5,934 | 3,302 | - | - | 29,164 |
| 1946 | 4,479 | 3,642 | 7,146 | 1,344 | 5,802 | 2,910 | 4,254 | 2,892 | - | 101 | 25,862 |
| 1945 | 3,193 | 5,778 | 6,474 | 1,107 | 5,367 | 2,660 | 3,767 | 2,707 | - | - | 23,071 |
| 1944 | 3,323 | 7,631 | 5,556 | 1,107 | 4,449 | 2,660 | 3,767 | 1,789 | - | 515(c) | 20,364 |
| 1943 | 3,767 | 5,752 | 5,365 | 1,107 | 4,258 | 2,660 | 3,767 | 1,598 | - | 560(c) | 19,090 |
| 1942 | 3,022 | 276 | 5,135 | 1,107 | 4,028 | 2,660 | 3,767 | 1,368 | - | 500(c) | 18,052 |
| 1941 | 1,641 | - | 5,251 | 1,107 | 4,144 | 2,660 | 3,767 | 1,484 | - | 480(c) | 17,184 |
| 1940 | 1,013 | - | 5,639 | 1,223 | 4,416 | 2,078 | 3,301 | 2,338 | - | 23 | 16,180 |
| 1939 | 1,515 | - | 6,451 | 1,450 | 5,001 | 2,909 | 4,359 | 2,092 | 1,659(d) | 3,300(c) | 13,865 |
| 1938 | 619 | - | 4,110 | 1,338 | 2,772 | 1,995 | 3,333 | 777 | - | - | 13,414 |
| 1937 | 1,382 | - | 4,303 | 1,338 | 2,965 | 1,995 | 3,333 | 970 | 9 | - | 12,637 |
| 1936 | 765 | - | 3,602 | 1,338 | 2,264 | 1,995 | 3,333 | 269 | 421(e) | - | 11,658 |
| 1935 | 879 | - | 4,075 | 1,338 | 2,737 | 1,995 | 3,333 | 742 | - | 4 | 10,968 |
| 1934 | 667 | - | 3,710 | 1,341 | 2,369 | 1,995 | 3,336 | 374 | 86 | 137 | 10,230 |
| 1933 | 720 | - | 4,082 | 1,348 | 2,734 | 1,951 | 3,299 | 783 | 298 | 11 | 9,907 |
| 1932 | 651 | - | 3,891 | 1,378 | 2,513 | 1,971 | 3,349 | 542 | 69 | 211 | 8,837 |
| 1931 | 547 | - | 3,870 | 1,389 | 2,481 | 2,011 | 3,400 | 470 | - | 356(f) | 8,437 |
| 1930 | 649 | - | 4,609 | 1,357 | 3,252 | 2,350 | 3,707 | 902 | 6 | 626 | 8,323 |

(a) Reserve for Contingencies restored to Earned Surplus.
(b) Capital Surplus transferred to Common Stock.
(c) Prepayments for prior service to the Employees' Retirement System.
(d) Net recovery of processing tax funds, including $447,347 transferred from Reserve for Contingencies.
(e) Excess processing tax accruals transferred to Earned Surplus.
(f) Includes $125,000 transferred to Reserve for Contingencies.

General Mills, Inc.

FINANCIAL STATEMENT

(Dollar Amounts in Thousands)

| As of May 31, | Cash and Marketable Securities | Receivables | | | Inventories | | | Total Current Assets | Current Notes Payable | Accounts Payable | Tax Accruals | Other Current Liabilities | Total Current Liabilities | Working Capital |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Gross Receivables | Less Allowance for Possible Losses | Net Receivables | Gross Inventories | Less Inventory Reserves | Net Inventories (a) | | | | | | | |
| 1951 | $16,446 | $31,307 | $1,422 | $29,885 | $58,924 | $4,492 | $54,432 | $100,763 | $13,000 | $10,930 | $16,344 | $5,587 | $45,861 | $54,902 |
| 1950 | 21,788 | 25,296 | 1,189 | 24,107 | 36,232 | 4,555 | 31,677 | 77,572 | - | 10,125 | 10,912 | 3,289 | 24,326 | 53,246 |
| 1949 | 31,437 | 22,810 | 1,186 | 21,624 | 29,956 | 5,141 | 24,815 | 77,876 | 100(b) | 10,167 | 9,447 | 2,561 | 22,275 | 55,601 |
| 1948 | 21,472 | 27,545 | 1,220 | 26,325 | 39,669 | 6,238 | 33,431 | 81,228 | 100(b) | 10,379 | 11,889 | 3,311 | 25,679 | 55,549 |
| 1947 | 18,966 | 25,216 | 1,162 | 24,054 | 44,025 | 5,718 | 38,307 | 81,327 | 100(b) | 9,852 | 10,506 | 2,945 | 23,403 | 57,924 |
| 1946 | 44,738 | 14,103 | 1,126 | 12,977 | 25,773 | 3,604 | 22,169 | 79,884 | 100(b) | 6,986 | 11,974 | 792 | 19,852 | 60,032 |
| 1945 | 13,521 | 16,970 | 1,127 | 15,843 | 41,477 | 2,934 | 38,543 | 67,907 | 100(b) | 6,640 | 11,969 | 1,863 | 20,572 | 47,335 |
| 1944 | 15,982 | 15,983 | 1,105 | 14,878 | 39,284 | 3,180 | 36,104 | 66,964 | 100(b) | 5,536 | 13,704 | 1,957 | 21,297 | 45,667 |
| 1943 | 7,028 | 14,552 | 1,041 | 13,511 | 44,150 | 2,346 | 41,804 | 62,343 | 11,000 | 5,271 | 10,852 | 495 | 27,618 | 34,725 |
| 1942 | 5,052 | 13,019 | 987 | 12,032 | 34,961 | 1,650 | 33,311 | 50,395 | 9,500 | 3,693 | 4,183 | 462 | 17,838 | 32,557 |
| 1941 | 7,669 | 10,225 | 938 | 9,287 | 22,422 | 377 | 22,045 | 39,001 | - | 3,583 | 2,377 | 457 | 6,417 | 32,584 |
| 1940 | 3,674 | 9,281 | 872 | 8,409 | 24,858 | 282 | 24,576 | 36,659 | - | 3,094 | 1,874 | 460 | 5,428 | 31,231 |
| 1939 | 13,293 | 7,903 | 895 | 7,008 | 17,715 | 163 | 17,552 | 37,853 | - | 3,390 | 2,381 | 1,090 | 6,861 | 30,992 |
| 1938 | 11,989 | 9,378 | 892 | 8,486 | 15,268 | 360 | 14,908 | 35,383 | - | 2,277 | 1,516 | 356 | 4,149 | 31,234 |
| 1937 | 8,601 | 11,625 | 1,021 | 10,604 | 17,899 | 740 | 17,159 | 36,364 | - | 2,778 | 2,349 | 349 | 5,476 | 30,888 |
| 1936 | 10,849 | 10,069 | 1,006 | 9,063 | 15,552 | - | 15,552 | 35,464 | - | 2,517 | 1,705 | 322 | 4,544 | 30,920 |
| 1935 | 7,144 | 10,927 | 1,195 | 9,732 | 18,829 | - | 18,829 | 35,705 | - | 2,385 | 3,600 | 223 | 6,208 | 29,497 |
| 1934 | 4,117 | 10,393 | 1,096 | 9,297 | 21,451 | - | 21,451 | 34,865 | - | 2,351 | 3,273 | 1,125 | 6,749 | 28,116 |
| 1933 | 5,322 | 7,248 | 931 | 6,317 | 21,141 | - | 21,141 | 32,780 | - | 1,960 | 1,195 | 2,253 | 5,408 | 27,372 |
| 1932 | 9,647 | 7,620 | 1,001 | 6,619 | 13,167 | - | 13,167 | 29,433 | - | 1,571 | 1,146 | 1,660 | 4,377 | 25,056 |
| 1931 | 10,896 | 9,029 | 656 | 8,373 | 11,494 | - | 11,494 | 30,763 | - | 2,187 | 1,063 | 1,911 | 5,161 | 25,602 |
| 1930 | 2,289 | 8,872 | 289 | 8,583 | 22,434 | - | 22,434 | 33,306 | 3,000 | 2,756 | 1,180 | 1,466 | 8,402 | 24,904 |

(a) Includes advances on grain purchases. (b) Current installment due on Debentures Sinking Fund.

| As of May 31, | Prepaid Expense | Sundry Assets | Properties | | | Total Assets | 2½% S.F. Debentures | Special & Contingent Reserves | Minority Interest | 3-3/8% Cum. Conv. Preferred | 5% and 6% Cumulative Preferred | Total Preferred | Common Stock | Surplus | Common Stock & Surplus | Total Stock-holders' Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Land, Buildings, & Equipment | Less Depreciation | Net Plant | | | | | | | | | | | |
| 1951 | $6,167 | $ 702 | $80,110 | $34,733 | $45,377 | $107,148 | $ - | $2,440 | $ - | $6,160 | $22,147 | $28,307 | $28,273 | $48,128 | $76,401 | $104,708 |
| 1950 | 5,255 | 345 | 76,013 | 32,455 | 43,558 | 102,404 | - | 2,451 | - | 9,149 | 22,147 | 31,296 | 25,566 | 43,091 | 68,657 | 99,953 |
| 1949 | 4,377 | 456 | 74,559 | 30,137 | 44,422 | 104,856 | 9,400 | 2,311(a) | - | 9,950 | 22,147 | 32,097 | 24,765(b) | 36,283(a) | 61,048 | 93,145 |
| 1948 | 3,766 | 1,402 | 66,862 | 28,411 | 38,451 | 99,168 | 9,500 | 4,531 | - | 9,997 | 22,147 | 32,144 | 16,695 | 36,298 | 52,993 | 85,137 |
| 1947 | 3,753 | 1,340 | 56,132 | 26,801 | 29,331 | 92,348 | 9,600 | 4,744 | - | 10,000 | 22,147 | 32,147 | 16,692 | 29,165 | 45,857 | 78,004 |
| 1946 | 2,109 | 1,325 | 50,803 | 25,131 | 25,672 | 89,138 | 9,700 | 4,737 | - | 10,000 | 22,147 | 32,147 | 16,692 | 25,862 | 42,554 | 74,701 |
| 1945 | 1,900 | 2,357 | 48,414 | 23,415 | 24,999 | 76,591 | 9,800 | 4,881 | - | - | 22,147 | 22,147 | 16,692 | 23,071 | 39,763 | 61,910 |
| 1944 | 2,117 | 1,868 | 46,270 | 22,138 | 24,132 | 73,784 | 9,900 | 4,681 | - | - | 22,147 | 22,147 | 16,692 | 20,364(c) | 37,056 | 59,203 |
| 1943 | 1,914 | 1,454 | 44,829 | 20,913 | 23,916 | 62,009 | - | 4,080 | - | - | 22,147 | 22,147 | 16,692 | 19,090(c) | 35,782 | 57,929 |
| 1942 | 2,112 | 1,499 | 44,286 | 19,674 | 24,612 | 60,780 | - | 3,889 | - | - | 22,147 | 22,147 | 16,692 | 18,052(c) | 34,744 | 56,891 |
| 1941 | 1,864 | 941 | 43,309 | 18,939 | 24,370 | 59,759 | - | 3,736 | - | - | 22,147 | 22,147 | 16,692 | 17,184(c) | 33,876 | 56,023 |
| 1940 | 1,757 | 1,313 | 42,873 | 18,503 | 24,370 | 58,671 | - | 3,652 | - | - | 22,147(d) | 22,147 | 16,692 | 16,180 | 32,872 | 55,019 |
| 1939 | 1,847 | 1,038 | 40,420 | 17,821 | 22,599 | 56,476 | - | 3,613 | - | - | 22,306 | 22,306 | 16,692 | 13,865(c) | 30,557 | 52,863 |
| 1938 | 1,502 | 1,454 | 39,313 | 17,095 | 22,218 | 56,408 | - | 3,996 | - | - | 22,306 | 22,306 | 16,692 | 13,414 | 30,106 | 52,412 |
| 1937 | 1,319 | 1,402 | 38,824 | 16,826 | 21,998 | 55,607 | - | 3,958 | 14 | - | 22,306 | 22,306 | 16,692 | 12,637 | 29,329 | 51,635 |
| 1936 | 1,046 | 1,032 | 38,007 | 16,540 | 21,467 | 54,465 | - | 3,788 | 21 | - | 22,306 | 22,306 | 16,692 | 11,658 | 28,350 | 50,656 |
| 1935 | 1,004 | 861 | 37,598 | 15,698 | 21,900 | 53,262 | - | 3,269 | 27 | - | 22,306 | 22,306 | 16,692 | 10,968 | 27,660 | 49,966 |
| 1934 | 1,107 | 1,069 | 37,132 | 14,953 | 22,179 | 52,471 | - | 3,192 | 51 | - | 22,306 | 22,306 | 16,692 | 10,230 | 26,922 | 49,228 |
| 1933 | 801 | 1,112 | 36,939 | 14,250 | 22,689 | 51,974 | - | 3,089 | 85 | - | 22,266 | 22,266 | 16,627 | 9,907 | 26,534 | 48,800 |
| 1932 | 875 | 954 | 37,920 | 14,305 | 23,615 | 50,500 | - | 2,857 | 89 | - | 22,666 | 22,666 | 16,051 | 8,837 | 24,888 | 47,554 |
| 1931 | 1,043 | 1,086 | 37,526 | 13,560 | 23,966 | 51,697 | - | 2,856 | 81 | - | 23,544 | 23,544 | 16,779 | 8,437 | 25,216 | 48,760 |
| 1930 | 941 | 1,092 | 37,138 | 12,936 | 24,202 | 51,139 | - | 2,656 | 243 | - | 23,014 | 23,014 | 16,903 | 8,323 | 25,226 | 48,240 |

(a) Reserve for General Contingencies, amounting to $2,287,637, restored to Earned Surplus

(b) Capital Surplus, Amounting to $8,023,166, transferred to Common Stock Account

(c) Partial Prepayments to the Employees' Retirement System for prior service charged to Earned Surplus as follows: 1943-44, $515,000; 1942-43, $560,000; 1941-42, $500,000; 1940-41, $480,000; 1938-39, $3,300,000

(d) 6% Preferred Stock exchanged for 5% Preferred Stock on November 1, 1939.

## DESCRIPTION OF CAPITAL STOCK

3-3/8% Cumulative Convertible - Par $100

a. Authorized - 100,000 shares.

b. Issued - 100,000 shares in September 1945, for investment in fixed facilities and other corporate purposes.

c. Outstanding - May 31, 1951 ---- 61,598 shares.

d. Preferences - has equal preference with 5% preferred for assets and dividends.

e. Dividend Rights - entitled to cumulative dividends at rate of 3-3/8% per annum, payable March 1, etc.

f. Dividend Record - initial quarterly dividend of $0.84-3/8 paid December 1, 1945, and regularly thereafter.

g. Dividend Restriction - No dividends (except stock dividends) may be declared or paid upon common unless immediately thereafter the consolidated net current assets (as defined) equal 60% of par value of all preferred then outstanding as shown on consolidated balance sheet of a date not less than 90 days preceding.

h. Voting Rights - has no voting power unless preferred dividends for one year are in default - and then preferred has full voting rights equally with any other class of stock. While such default exists, directors shall consist of an odd number, and preferred, voting as a class, irrespective of series, is entitled to elect a majority of directors. Affirmative vote or consent of a majority of preferred necessary to:

1) Create any mortgage or lien on property or any debt maturing in more than one year, or to extend or renew such debt, except

   a) purchase money or existing liens on property hereafter acquired, or the renewal, refunding, or extension thereof; or

   b) obligations in ordinary course of business maturing in more than one year secured by pledge or lien on personal property.

2) Increase authorized preferred -- or create any stock having priority or parity therewith.

3) Sell or convey all property and assets, including goodwill and franchises.

4) Amend or repeal provisions relating to rights of preferred.

i. Liquidation Rights - in liquidation, entitled to $100 per share if involuntary - and to redemption price if voluntary, plus accrued dividends in all cases.

j. Preemptive Rights - None.

k. Convertible - convertible into common at any time, at $50 per share (or if called for redemption, until close of business on fifth day prior thereto), with cash adjustment or scrip for fractional shares. Conversion rights protected against dilution.

l. Callable - as a whole, or in part by lot, on at least 30 days' notice on any dividend date at $103 per share, plus dividends in all cases.

m. Additional Preferred - no additional preferred may be issued unless:

1) consolidated net current assets (as defined) equal 60% of par value of all preferred outstanding and to be issued based on consolidated balance sheet not earlier than 90 days next preceding.

2) consolidated net earnings after all charges for best two of the three preceding fiscal years equal twice annual dividend requirements on preferred outstanding and to be issued.

5% Cumulative Preferred - Par $100

a. Authorized - all series, 500,000 shares.

b. Issued - 221,473 shares in December 1939, in share for share exchange for former 6% Cumulative Preferred (Par $100). Unexchanged shares (1,584 shares) retired as of January 1, 1940, at $115.

c. Outstanding - May 31, 1951 --- 221,473 shares.

d. Preferences - has equal preference with 3-3/8% preferred for assets and dividends.

e. Dividend Rights - entitled to cumulative dividends at the rate of 5% per annum, payable quarterly, January 1, etc.

f. Dividend Record - initial dividend of $1.25 paid March 1, 1940, and quarterly thereafter.

g. Dividend Restriction - see description of 3-3/8% Preferred.

h. Voting Rights - see description of 3-3/8% Preferred.

i. Liquidation Rights - if voluntary, entitled to $115 per share and accrued dividends. If involuntary, has preference to par value and accrued dividends.

j. Preemptive Rights - none.

k. Callable - in whole or in part on any dividend date on 30 days' notice at $123 unto December 31, 1951, and decreasing $1 per share each subsequent calendar year until redemption price shall reach $115 per share, in all cases with accrued dividends.

l. Additional Preferred - see description of 3-3/8% Preferred.

Common Stock - No Par

a. Authorized - 3,000,000 shares (increased from 1,000,000 shares August 21, 1945, as a result of 3 for 1 split). 123,196 shares reserved as of May 31, 1951, for issuance under conversion rights of preferred stock.

b. Outstanding - May 31, 1951 - 2,067,066 shares (after deducting 4,900 shares of common held in treasury).

c. Dividend Payable - quarterly on February 1, etc., to stock of record about January 10, etc.

d. Dividend Limitation - so long as any preferred is outstanding, no dividends (except stock) may be paid on any stock other than preferred, unless thereafter the consolidated net current assets equal 60% of par value of preferred outstanding.

e. Voting Rights - has exclusive voting power, except as described under Voting Rights of preferred stock.

f. Preemptive Rights - common has preemptive right of purchase of additional common stock, except that issue for property purchase, bonus, or profit-sharing plans, or that sold to financial interests on terms approved by majority of the directors and without negative vote of any director.

## Transfer Agents

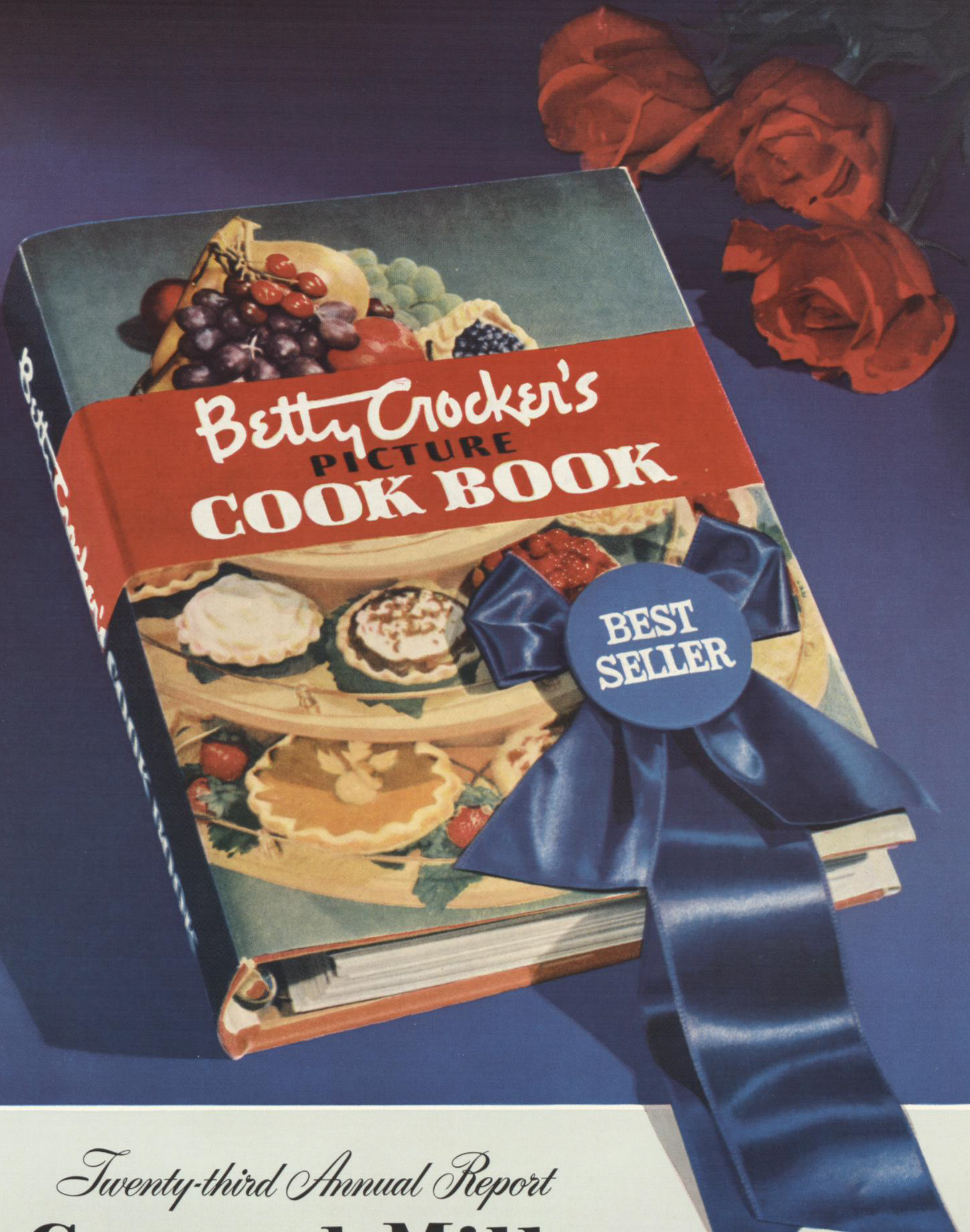
City Bank Farmers Trust Company
New York, N. Y.

Office of the Company
Minneapolis 1, Minnesota

## Registrars

The First National Bank
of the City of New York

Northwestern National Bank
of Minneapolis
Minneapolis, Minnesota



*Twenty-third Annual Report*

# General Mills

JUNE 1, 1950 TO MAY 31, 1951

# 10 YEARS OF *Enrichment*

The milling and baking industries are observing the tenth anniversary of the vitamin and mineral enrichment of white flour and bread. Enrichment restores the important nutrients of thiamine, niacin, riboflavin and iron that are natural to the whole wheat berry. It has made bread more than ever a basic food.

# General Mills, Inc.

*Wilmington, Delaware* *Minneapolis, Minnesota*

## BOARD OF DIRECTORS

Harry A. Bullis . *Chairman* . Minneapolis

Walter R. Barry
Minneapolis
*Vice President, General Mills, Inc.*

Charles H. Bell
Minneapolis
*Vice President, General Mills, Inc.*

James F. Bell
Minneapolis
*Chairman, Committee on Finance and Technological Progress, General Mills, Inc.*

Charles C. Bovey
Minneapolis

John Cowles
Minneapolis
*President, Minneapolis Star and Tribune*

*John Crosby
Minneapolis

Gerald S. Kennedy
Minneapolis
*Vice President, General Mills, Inc.*

Henry S. Kingman
Minneapolis
*President, Farmers & Mechanics Savings Bank*

Deane W. Malott
Ithaca, N. Y.
*President, Cornell University*

Putnam D. McMillan
Minneapolis

Frank J. Morley
Minneapolis
*of Morley, Cant, Taylor, Haverstock & Beardsley*

Leslie N. Perrin
Minneapolis
*President, General Mills, Inc.*

Frederick A. O. Schwarz
New York
*of Davis Polk Wardwell Sunderland & Kiendl*

Henry S. Sturgis
New York
*Vice President, The First National Bank of the City of New York*

Harold W. Sweatt
Minneapolis
*President, Minneapolis-Honeywell Regulator Co.*

## EXECUTIVE COMMITTEE

Harry A. Bullis . *Chairman*

‡Charles H. Bell
James F. Bell
*John Crosby
Henry S. Kingman
Putnam D. McMillan
Frank J. Morley
Walter R. Barry
Leslie N. Perrin

## OFFICERS

Harry A. Bullis
*Chairman of Board*

Leslie N. Perrin
*President*

Charles H. Bell
*Executive Vice President*

### VICE PRESIDENTS

Walter R. Barry
Edward O. Boyer
Raymond L. Brang
Eugene W. Burgess
Henry S. Crosby
Whitney H. Eastman
Samuel C. Gale
†James S. Hargett
†Arthur M. Hartwell
Arthur D. Hyde
Gerald S. Kennedy
Harry C. Lautensack
Walter H. Mills
Searle Mowat
Edwin L. Schujahn
James E. Skidmore
Earl B. Smith
Don A. Stevens
G. Cullen Thomas

Edward K. Thode
*Vice President and Secretary*

Richard J. Keeler
*Treasurer*

Gordon C. Ballhorn
*Vice President & Comptroller*

## TRANSFER AGENCIES

City Bank Farmers Trust Company, New York

Office of the Company, Minneapolis

## REGISTRARS

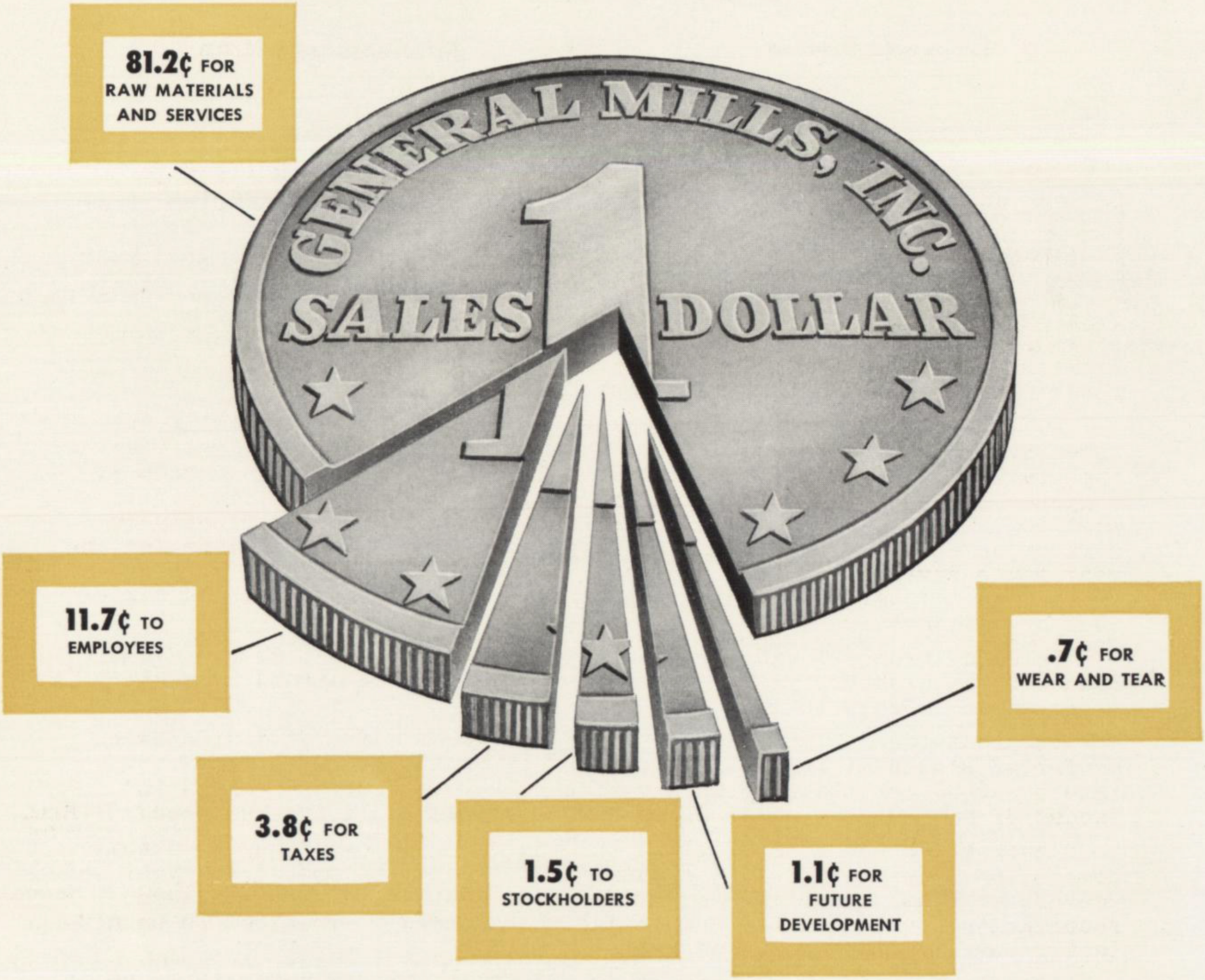
The First National Bank of the City of New York

Northwestern National Bank of Minneapolis

*Resigned June 30, 1951
‡Appointed June 30, 1951
†Retired June 1, 1951

**NOTICE TO STOCKHOLDERS:** The annual meeting of the stockholders of General Mills, Inc., will be held on August 21, 1951, at Wilmington, Delaware. If you are unable to be present in person, please send in your proxy. The Notice and Proxy Statement are being mailed to reach stockholders on or about July 30, 1951.

## HOW THE GENERAL MILLS SALES DOLLAR WAS DIVIDED LAST YEAR



**81.2¢** FOR RAW MATERIALS AND SERVICES

**11.7¢** TO EMPLOYEES

**3.8¢** FOR TAXES

**1.5¢** TO STOCKHOLDERS

**1.1¢** FOR FUTURE DEVELOPMENT

**.7¢** FOR WEAR AND TEAR

## THE YEAR IN BRIEF

| | Fiscal Year Ended | |
|---|---|---|
| | May 31, 1951 | May 31, 1950 |
| Received from the sale of products and services | $435,947,827 | $395,834,706 |
| Goods and services purchased from others, amounts set aside for depreciation, and adjustment of allowances | 357,047,373 | 326,447,214 |
| Wages, salaries and retirement benefits | 51,054,685 | 45,568,148 |
| Taxes | 16,325,261 | 10,568,126 |
| Net earnings | 11,520,508 | 13,251,218 |
| Dividends paid | 6,483,738 | 6,443,249 |
| Earnings in excess of dividends | 5,036,770 | 6,807,969 |
| Net earnings—per dollar of sales | 2.6¢ | 3.3¢ |
| —per share of common stock | $4.92 | $5.87 |
| Taxes per share of common stock | 7.90 | 5.25 |

**General Mills, Inc.**
400 Second Avenue South

EXECUTIVE OFFICES

Minneapolis 1, Minn.

July 27, 1951

To our Stockholders and Employees:

Net earnings during the twenty-third year of General Mills were $11,520,508, as reported in detail on page 12. This compares with $13,251,218 for the previous year.

Common stock earnings per share were $4.92, or 95¢ less than last year.

Federal income taxes exacted a heavy toll, amounting to $13,056,000. This includes excess profits tax of $1,604,000, and represents an increase of $5,486,000 over federal income taxes accrued in 1949-50. Total direct taxes in support of various local, state, and national governments were $16,325,000--almost $8.00 per common share.

During the year the company changed the basis of establishing the inventory valuation allowance for containers. It became evident that the previous method created a larger allowance than would be needed to compensate for any losses which might arise from market declines. In addition, the revised procedure relates current costs more closely to current sales. Had the prior basis been continued, the earnings for the year would have been $1,135,983 less. After the change, the allowance as applied to containers amounts to $1,703,178 which is $221,214 higher than a year earlier.

Sales of products and services totaled $435,947,827, about 10% more than for the previous year. On each sales dollar we earned 2.6¢ as compared to 3.3¢ in 1949-50.

Total dividends amounted to $6,483,738, consisting of dividends on preferred stocks at required rates, and on common stock at the rate of $2.00 per share, plus a year-end extra of 50¢. Earnings in excess of dividends totaled $5,036,770, reinvested in the business.

Favorable conditions in grain markets made the ownership of wheat desirable, and as a result the quantity of wheat on hand at the year end was greater than in recent years, and this fact, plus the increased receivables due to greater volume and rising prices, resulted in unpaid interim bank borrowings as of May 31, 1951.

Flour, formula feeds, and package foods all showed moderate gains in physical volume over the previous year. Production of fatty acid derivatives rose sharply. Output of soybean products reached a new high. We were unable to keep up with the demand for home appliances, and deliveries of other products of our Mechanical Division increased with the acceleration of defense work.

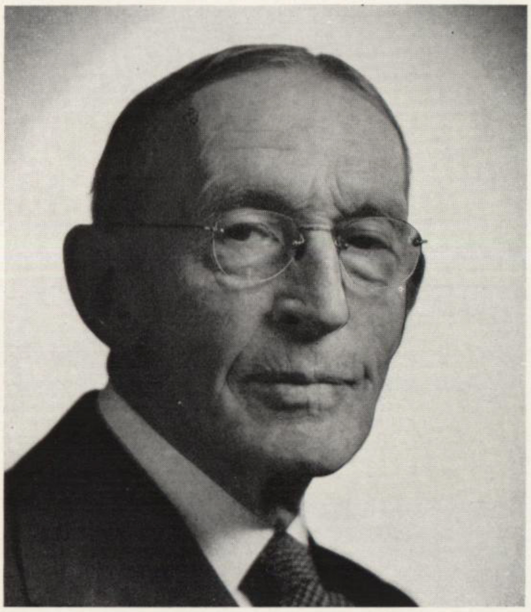
Wages and salaries (including provision for retirement benefits) continued to rise; they totaled $51,055,000, an increase of $5,487,000 over 1949-50.

As we measure the company's progress for this annual report, we pay tribute to our entire staff for their alertness, efficiency, and loyalty. We face the future with confidence, prepared to continue our efforts to meet the many problems generated by an economy closely attuned to a disturbed international situation. General Mills is better prepared than ever before--in men, machines, and know-how--to meet the challenge of a semi-war economy.

Harry A. Bullis
Chairman of the Board

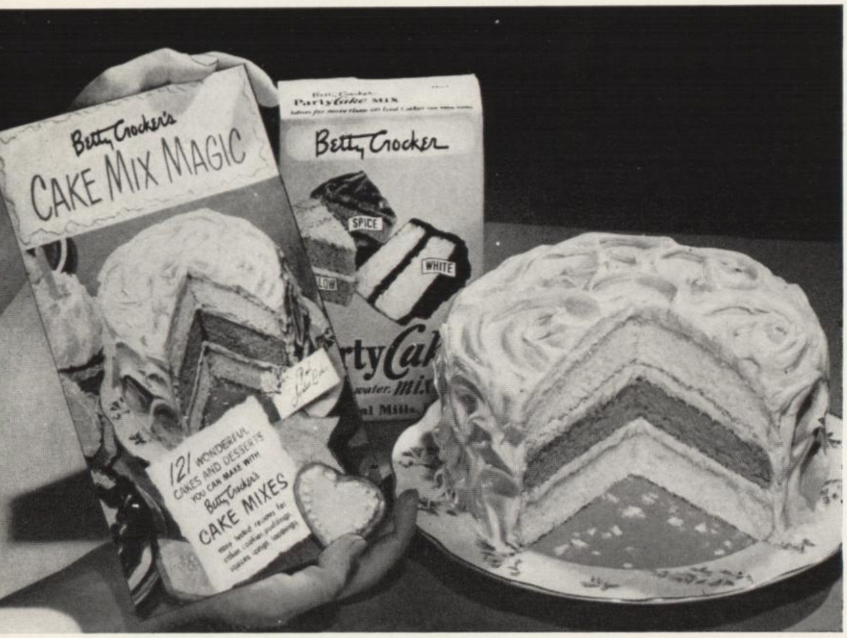
Leslie N Perrin
President

**Harry A. Bullis,** chairman of the board, directs a visitor at the New York informal stockholders meeting. Sessions were held in ten cities, including a special demonstration program in Philadelphia before the Wharton School of Finance, University of Pennsylvania.



**John Crosby,** dean of directors, served from July 22, 1889, until his resignation June 30, 1951. He became a director of Washburn Crosby Company on its incorporation in 1889 and continued with General Mills on its formation in 1928.

Mr. Crosby was legal adviser, treasurer, president, and chairman of the Board of Washburn Crosby Company and has been a member of the Executive Committee of General Mills since 1941. He has also served other companies and financial institutions as director and trustee.


Betty Crocker's
CAKE MIX MAGIC
121 WONDERFUL CAKES AND DESSERTS YOU CAN MAKE WITH Betty Crocker's CAKE MIXES
Betty Crocker
Party Cake MIX
SPICE
WHITE

**As pretty** as its picture on the Cake Mix Magic cover is this Pink Azalea cake — recipe inside along with many others, plus baking tips.

**Growing boys** like Cheerios, the fast-growing ready-to-eat cereal and the only one made from oats.

# A Record of Service

*Jobs and companies are means whereby individuals and groups express themselves in creating products and services. In General Mills this expression continued to emphasize service-type merchandising. The year's record is in many respects symbolized by the project of the year, Betty Crocker's Picture Cook Book. For the homemakers of America it performed the unique service of combining in a single volume for the first time the recipes and cooking lore of Betty Crocker.*

### STOCKHOLDERS

The number of stockholders remained at approximately 13,000. The practice of holding informal regional stockholder meetings in even-numbered years continued. The board chairman and the comptroller began a series of ten meetings at San Francisco October 13 and concluded them in Minneapolis November 10. Numerous stockholders' questions were answered from the floor.

"Assignment—General Mills," a color movie, reported General Mills operations for the year 1949-50. The story is built around two college students in business administration who are assigned to study the company. The film was shown to stockholders at the informal meetings and to employees.

### BOARD OF DIRECTORS

The board of directors accepted with regret the resignation of John Crosby effective June 30, 1951, after 62 years on the boards of General Mills and its predecessor, Washburn Crosby Company. The board unanimously adopted a resolution submitted by James F. Bell paying tribute to Mr. Crosby and expressing admiration for his wide knowledge, sound judgment, fairness, and rare wisdom, which had always served as a guiding influence on the board's councils and actions.

The board held its April meeting at Oklahoma City, continuing the custom of getting into the field at least once each year to inspect facilities and meet personnel.

### MANAGEMENT

Important executive and organizational assignments were made during the year. In October, the board elected Charles H. Bell executive vice president, filling a post vacant since January 1, 1948.

The Food Division was created in line with the functional plan of organization established a year ago. W. R. Barry was appointed president, and G. S. Kennedy vice president. This division includes all functions related to flour, feed, and package foods.

With this integration, the company now has five operating divisions: the Food Division and the four non-food divisions—Chemical, Mechanical, Special Commodities, and Farm Service.

### PERSONNEL

Employees totaled approximately 12,000, about the same as for the past three years. The defense emergency has not yet materially affected the company's ability to maintain an adequate work force, although in some places it is becoming more difficult to find qualified personnel.

### MILITARY SERVICE

There were 466 employees on military leave of absence on May 31, 1951. As in World War II, each employee entering military service is accorded certain benefits in addition to those required by law. He is given a special payment when he leaves; if he is a member of the General Mills Health Association, his dependents continue to receive medical coverage; if he has not already taken his vacation, he receives pay for the vacation period; and his service retirement credit continues to accumulate at company expense.

### LABOR RELATIONS

General Mills and the American Federation of Grain Millers negotiated a master agreement in May, 1950. A year of experience under this new agreement has confirmed the hope that it is possible to reach a better understanding of common problems and to solve them peacefully. On the

**Leslie N. Perrin**, President of General Mills, a 29-year man himself, welcomes Otis M. Young, advertising department, into the 25-Year Club. Young's father was employed by the company for 24 years.

**Increasingly each year**, employees are taking advantage of educational opportunities such as this class in the company's two-year Basic Training course. An adaptation of the Association of Operative Millers' newly revised course will be offered throughout the company this fall.

Betty Crocker's Picture Cook Book

**Dr. Mary T. Martin Sloop** of Crossnore, N. C., American Mother of the Year, received the one millionth copy printed of Betty Crocker's Picture Cook Book on Mother's Day in New York. Charles H. Bell (center), executive vice president of General Mills, and William E. Larned, vice president of McGraw Hill Book Company, made the presentation to the "Grand Lady of the Blue Ridge."

whole, relations with employees and all of the unions which represent them were very satisfactory, although a few minor work stoppages of short duration occurred.

### EMPLOYEE TRAINING

This year the company began to experiment more extensively with trade, aptitude, and other fitness tests as practical aids in the selection and advancement of employees. Management is particularly conscious of the need to expand the program of selecting and training executives.

### SAFETY

General Mills men and women made 1950 the safest year in company history. There were only 4.38 lost-time accidents per million man hours worked, a record low. In 1949, also a record year, the frequency rate was 5.94. For 1951, the safety budget committee has set an accident frequency rate of 4.00 as the goal.

Nine General Mills plants won first place plaques in the 1950 National Safety Council food section safety contest. Of the 27 company plants in the contest, 18 won awards.

The National Safety Council also presented to General Mills their 1950 Public Interest Award "for exceptional service to safety."

### PROJECT OF THE YEAR

A half million copies of Betty Crocker's Picture Cook Book were sold in four months to make it the nonfiction best seller of 1950. Sales within a year of publication are expected to reach one million.

The book is based on the experience of a staff of home economists in the Betty Crocker Home Service Department over a period of 29 years. It represents 10 years of actual planning and recipe testing, and three years of intensive preparation. It contains 2,161 recipes, including 36 pages of full-color photographs of foods as well as hundreds of illustrations on the methods of food preparation.

### FOOD DIVISION

In the production and merchandising of flour, formula feeds, and grocery store food items, General Mills operates 18 flour mills, 8 formula feed plants, 3 package food plants, and 2 oat mills. It also operates terminal and mill elevators at 23 different points, besides 84 country grain stations.

The company's services to the economy of the United States start at the farm in its purchases of grain. Its services do not end until the user is satisfied with our products. Cereal grains, for centuries a mainstay in man's food supply, take on added importance in time of war. Normally, the civilized world probably obtains between 35% and 40% of its food energy and protein by direct consumption of cereal products.

#### *BAKERS' SERVICE*

Our largest flour customer is the commercial baker. New promotional aids were serviced to bakers in addition to such regular features as Roses-in-Snow cakes for Mother's Day, and Sweetheart cakes for Valentine's Day. Typical promotions featured Cherry Nut Angel Food and Pineapple Festival cakes.

#### *BROWN 'N SERVE*

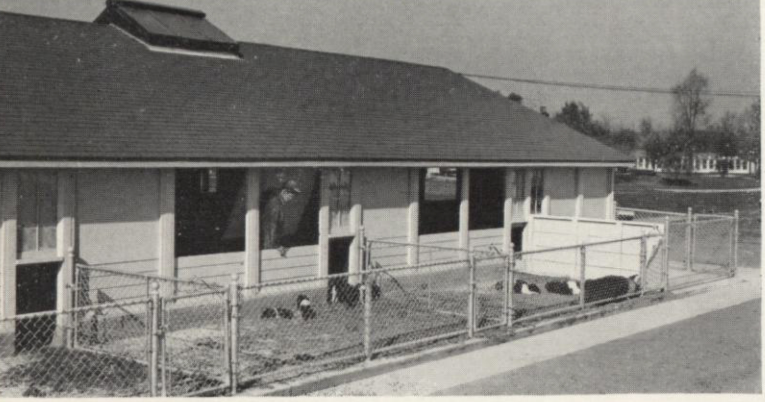
General Mills formally dedicated a patent on the Brown 'n Serve process to the public and the baking industry immediately upon its issue in April, 1951, by the U. S. Patent Office. The company thereby established for all time as a public and bakery service the unique process whereby the homemaker can finish in her home oven and serve hot and fresh as needed the yeast-raised foods produced by her baker. The process, introduced two years ago by General Mills, is now widely established among commercial bakers.

During the past year Brown 'n Serve products were commercially produced in every state and in Hawaii, Canada, Mexico, Puerto Rico, Australia, New Zealand, and other countries.

#### *GROCERY PRODUCTS*

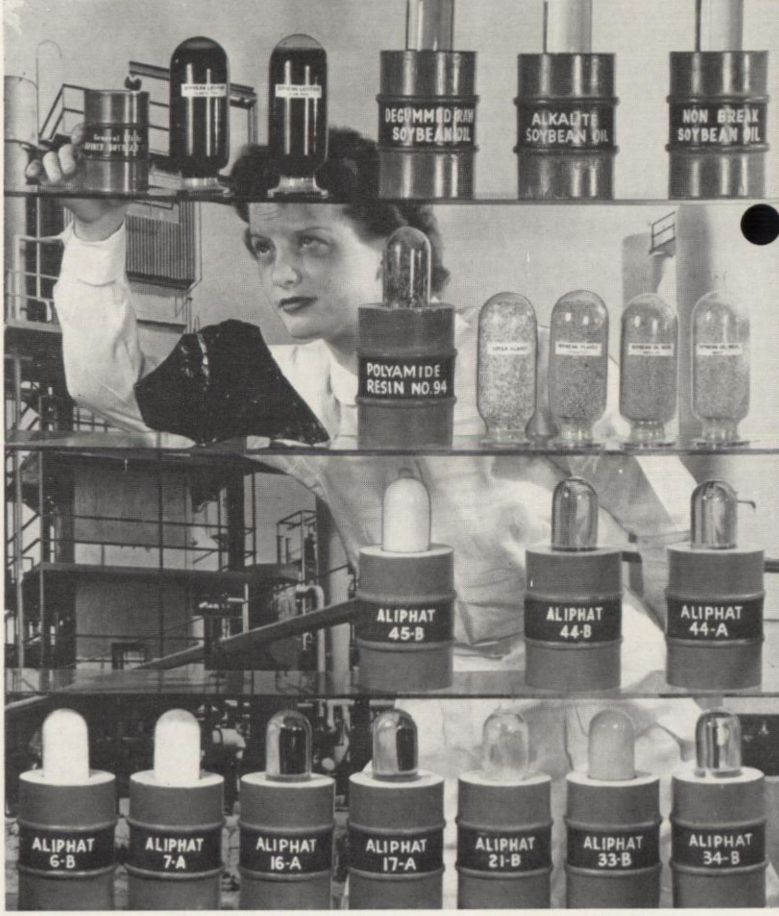
More than three-fourths of the families in the United States bought one or more General Mills grocery products during the year. Intensive merchandising continued to pay off in sales growth. Outstanding acceptance was accorded Cheerios, the ready-to-eat oat cereal which has gained more than any other major brand in the past two years. The Betty Crocker Cake Mixes continued to make progress in an expanding market.

Betty Crocker Cake Mix Magic, a 28-page recipe booklet with full-color illustrations, continued the pattern of service to homemakers. It was the first such publication devoted to the use of cake mixes



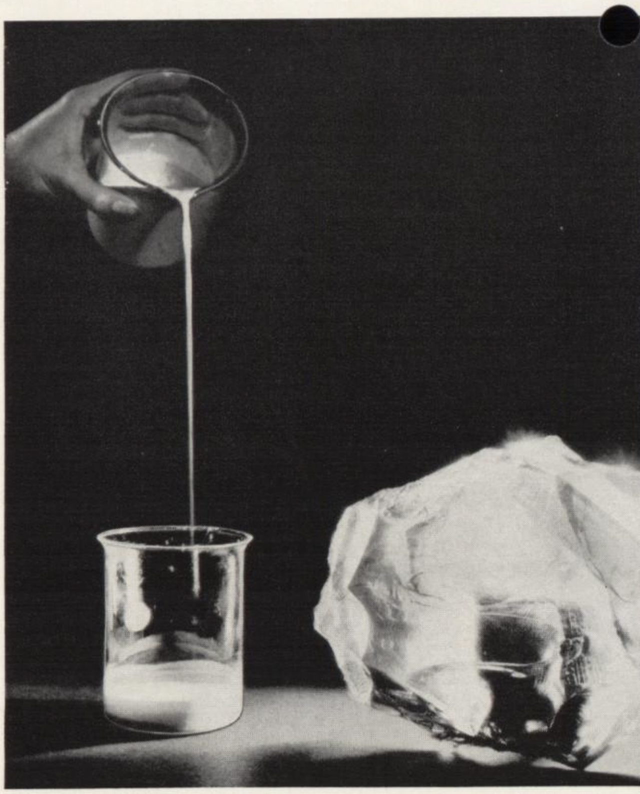
**Dry lot feeding pens** at Larro Research Farm near Detroit permit separate groups of pigs to be fed different test diets.

**A store manager** shows a customer how to use the Larrometer and make a herd check. Aim: to help the farmer gain more profit.



**The diversity of** Chemical Division products is shown by this display of refined soybean products and fractionally distilled fatty acids (aliphats).

**Enriched flour** and bread and restored cereals play an important part in nutrition education programs in our schools. Since 1945 the General Mills program of assisting educators and health workers with the teaching of the Basic 7 food groups has reached half the nation's elementary schools.



**General Mills researchers** coaxed Polyamide Resin into water-suspension to create a series of cost-reducing new heat sealing adhesives . . . the Polyamide Resin Suspensoids . . . easier and safer to use.

and contains recipes for 121 delicious cakes and desserts made from the three Betty Crocker mixes.

Betty Crocker's Stir 'n Roll method gave homemakers who prefer to mix their own a fast, simple, and sure way to make richer pastry and biscuits. It features cooking oil instead of solid shortening. Two Stir 'n Roll recipes were tailored for Gold Medal "Kitchen-tested" Enriched flour and Wesson Oil, and sales were promoted by both companies.

Television became a more important part of the complete advertising program during the year. Betty Crocker made her TV debut with a half-hour billing of service and entertainment. Three other new programs got under way. They were "Trouble with Father," featuring Stuart Erwin and June Collyer; every-other-week sponsorship of the "Ted Mack Family Hour;" and "Live Like a Millionaire," patterned after the radio program. The "Lone Ranger" continued its high popularity.

### *FORMULA FEEDS*

In this country most of the corn and oats crop and also milling by-products of wheat are converted into other foods such as meat, poultry, eggs, and dairy products.

Probably the most significant change in the food economy of the country has been the development of better methods of utilizing cereal grains in animal feeds. The application of scientific findings in nutrition to the company's Larro brand of feeds is designed to produce more meat, more eggs, more milk from available feed ingredients.

As the population increases, an opportunity to avoid a scarcity in foods such as exists elsewhere lies in the growth acceleration at low cost of the animal "factories" through which grains are converted into meats and dairy products.

After careful experimentation at the Larro Research Farm, certain additional ingredients are being included in some of the feeds for swine and poultry. These are Vitamin B-12 and the antibiotics. Their use increases feeding efficiency and lowers the farmer's costs.

### *PURITY OATS*

The rolled oats mills at Minneapolis and Keokuk, Iowa, increased substantially their output of finished products as well as of oat flour for Cheerios. The quality of the product also improved.

### *GRAIN*

Before Korea, a national grain surplus seemed likely. The unsettled world situation plus poor crop conditions in Western Europe changed the situation. Maximum production became the goal.

Our 1950 crops of wheat, corn, oats, and other grains were sufficient for domestic food purposes, export requirements, and animal feeds, with a comfortable carry-over as of July 1, 1951.

It is evident that domestic wheat requirements will not diminish and that exports are likely to increase. Our animal population is increasing, and the demand for animal feed will be very large. A shortage of corn, oats, or other feed grains could be serious and lead to depleting wheat supplies to feed animals. Therefore, it is probable that the corn and oats crops hold the key to the grain market levels during the crop year 1951-52.

### *ENRICHMENT*

The year 1951 marks the tenth anniversary of one of the greatest improvements ever made in the American diet—the enrichment of white flour and bread. Leading medical, nutrition, and health authorities credit enrichment with much of the more buoyant health and the increased mental and physical vigor the American people enjoy today.

The enrichment program was formally launched in May, 1941, when millers and bakers began voluntarily to enrich white flour and bread with vitamins and iron. (In milling white flour, overwhelmingly preferred by Americans, the germ and the dark outer layers which contain a large part of the wheat berry's vitamins and iron are removed.) The vitamins added are those found in wheat grains which nutritionists consider to be important in food selection—thiamine, riboflavin, and niacin.

Long before enrichment was adopted, General Mills worked in this field with scientists, government, and the milling and baking industries.

## CHEMICAL DIVISION

Chemical Division products have diverse uses—soybean oil meal for animal feeds, soybean oil for edible and industrial products, and organic chemicals for varied industrial applications.

The Belmond, Iowa, soybean processing plant and oil refineries operated at full capacity all year.

Construction started on a new soybean processing plant at Rossford, Ohio. It will have an annual processing capacity of 4,000,000 bushels, and storage capacity of 1,500,000 bushels. It is hoped that the storage will be ready to receive soybeans by October 1, 1951, and the processing plant will start to operate about January 1, 1952.

Operation of the chemoil plant at Kankakee, Illinois, is approaching its rated capacity. General Mills fatty acid products have been well received by the trade, and markets are being expanded.

A new unit being built at Kankakee should begin operations in the fall of 1951. It will produce amines, amides, and nitriles from the animal and vegetable fatty acids now being produced at Kankakee. Fatty amines are used extensively in the ore flotation field, and fatty amides are used mainly in water-repellent coating for textiles.

## MECHANICAL DIVISION

Korea had a dual impact on the Mechanical Division: the plant activity of its industrial department increased threefold, and its home appliance operations were unable to keep up with demand. As early as July, 1950, it became necessary to allocate Tru-Heat Irons, Steam Ironing Attachments, and Automatic Toasters among its sales districts.

National Production Authority orders on materials—aluminum, copper, and nickel, for example—affected home appliance production and that of suppliers of cords, heating elements, and other parts. These shortages began to pinch in the last quarter of 1950-51 and will reduce 1951-52 production, but larger industrial production will no doubt more than replace reduction in home appliances.

The division's increased industrial activity the past year centered on precision instruments for the U. S. Air Force and the U. S. Navy. Since World War II, when it was a large supplier of fire control, radar, and aircraft items, Mechanical has "kept its hand in" doing defense work. Military production, which accounted for 35% to 40% of its work before Korea, rose to 50% in late 1950. Soon it may amount to 75% of an increased total volume.

## FARM SERVICE DIVISION

Improvements and additions to Farm Service properties during the past year enabled these outlets to better their service to the farmer in his poultry and livestock feeding operations. These stores distribute company products, notably Larro "Farm-tested" Feeds as well as flour, and a line of farm supplies. In addition, they do custom grinding and mixing.

## SPECIAL COMMODITIES DIVISION

The Special Commodities Division made significant improvements in the processing of products from gluten and starch. For example, a continuous crystallizer in the monosodium glutamate (MSG) plant will aid the marketing of this flavor intensifier. The division also produces Vitamin D concentrates for the fluid milk field, wheat germ oil, and glutamic acid compounds for pharmaceuticals. All operations continued at near capacity.

## RESEARCH

The Research Laboratories continued progress in basic and applied research, developing new food and chemical commodities, improving existing products and adapting them to the defense economy, and bettering production.

In support of the company's chemical operations, the laboratories developed specialties that led to construction of the new plant at Kankakee which will produce amines, amides, and nitriles.

The staff also developed a new form of General Mills' heat-sealing adhesive, Polyamide Resin. It is carried in water instead of more costly solvents, a sales advantage.

In support of Special Commodities, the laboratories completed introduction of the company's modified wheat starches to many new customers.

The Aeronautical Research Laboratories worked exclusively on assignments for the Navy, Air Force, and other government agencies. The laboratories specialize in research balloons and remote-control handling equipment for atomic energy installations.

## FACILITIES

During the year the company was able to maintain its plants in efficient operating condition. Considerable improvements were made in existing facilities, particularly in the fields of better sanitation control, labor-saving devices for material handling, and new processing equipment for improved products. No major new plants were added other than the beginning of construction on the soybean plant at Rossford, and the amide plant at Kankakee.

PEAT, MARWICK, MITCHELL & CO.
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MINNEAPOLIS 2, MINN.

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KANSAS CITY
LOS ANGELES
MEMPHIS
MILWAUKEE
MINNEAPOLIS
NEWARK
NEW ORLEANS
OKLAHOMA CITY
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SAN FRANCISCO
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AUSTRALIA
CANADA
CONTINENTAL EUROPE
CUBA
GREAT BRITAIN
HONG KONG
INDIA
JAPAN
MEXICO
SOUTH AMERICA

July 16, 1951

To the Stockholders and the Board of Directors of
General Mills, Inc.:

We have examined the statement of financial position of General Mills, Inc. and subsidiaries as of May 31, 1951, and, for the year then ended, the related statements of operations and earnings retained for use in the business. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The cash was confirmed by certificates obtained from the depositaries and custodians or by count. Tests were made of the validity of receivables by communication with the debtors, except that it was not practicable to so confirm receivables from U. S. Government Departments and Agencies, as to which we satisfied ourselves by means of other auditing procedures. We made test checks of prices and computations of inventories and confirmed by actual inspection the quantities of the principal inventories at locations selected by us; in addition, we made test checks of the grades of grain inspected by obtaining independent confirmation of the grades of samples taken by us.

Expenditures charged to the land, buildings and equipment accounts during the year, in our opinion, were properly capitalized as representing additions or improvements. The provision for depreciation for the year appears to be adequate based on the original cost of the properties.

All ascertained liabilities have been included in the accounts.

In our opinion, the accompanying statement of financial position and statements of operations and earnings retained for use in the business present fairly the position of General Mills, Inc., and its subsidiaries at May 31, 1951 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles which, except for the change (of which we approve) in the method of computing inventory valuation allowances referred to in Note 3 of notes to financial statements, have been applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

# *General Mills, Inc. and Subsidiaries*

## RESULTS OF OPERATIONS

| | Year Ended May 31<br>1951 | <br>1950 |
|---|---|---|
| SALES OF PRODUCTS AND SERVICES | $435,947,827 | $395,834,706 |
| COSTS: | | |
| Cost of products and services sold, exclusive of items shown below | 353,484,560 | 321,019,863 |
| Decrease in inventory valuation allowances | (62,398) | (586,534) |
| Depreciation of buildings and equipment | 2,888,267 | 2,791,053 |
| Interest | 578,518 | 490,795 |
| Contributions to Employees' Retirement System | 1,818,115 | 1,673,402 |
| Profit sharing distribution | 253,200 | 235,500 |
| Selling, general and administrative expenses | 52,411,057 | 49,389,409 |
| Federal taxes on income (Note 1) | 13,056,000 | 7,570,000 |
| Total costs | 424,427,319 | 382,583,488 |
| EARNINGS FOR THE YEAR | $ 11,520,508 | $ 13,251,218 |

## EARNINGS RETAINED FOR USE IN THE BUSINESS

| | Year Ended May 31<br>1951 | <br>1950 |
|---|---|---|
| EARNINGS FOR THE YEAR | $ 11,520,508 | $ 13,251,218 |
| DIVIDENDS: | | |
| 5% preferred stock | 1,107,365 | 1,107,365 |
| 3⅜% preferred stock | 244,821 | 326,847 |
| Common stock ($2.50 per share) | 5,131,552 | 5,009,037 |
| Total dividends | 6,483,738 | 6,443,249 |
| EARNINGS IN EXCESS OF DIVIDENDS | 5,036,770 | 6,807,969 |
| EARNINGS RETAINED AT BEGINNING OF YEAR | 43,090,869 | 36,282,900 |
| EARNINGS RETAINED AT END OF YEAR | $ 48,127,639 | $ 43,090,869 |

See accompanying notes to financial statements—pages 14 and 15.

# FINANCIAL POSITION

| | May 31 | |
|---|---|---|
| | 1951 | 1950 |
| CURRENT ASSETS: | | |
| Cash | $ 16,445,570 | $ 14,789,016 |
| United States Government securities, at cost | — | 6,999,094 |
| Receivables (Note 2) | 29,885,555 | 24,106,321 |
| Inventories (Note 3) | 54,431,974 | 31,677,147 |
| Total Current Assets | 100,763,099 | 77,571,578 |
| CURRENT LIABILITIES: | | |
| Notes payable | 13,000,000 | — |
| Accounts payable and accrued expenses | 10,930,333 | 10,125,018 |
| Accrued taxes | 16,343,855 | 10,912,069 |
| Advances received on contracts in process | 2,370,096 | — |
| Thrift accounts of officers and employees | 1,849,517 | 1,928,115 |
| Dividends payable | 1,367,507 | 1,360,566 |
| Total Current Liabilities | 45,861,308 | 24,325,768 |
| WORKING CAPITAL | 54,901,791 | 53,245,810 |
| OTHER ASSETS: | | |
| Sundry costs chargeable to future periods (Note 4) | 6,166,786 | 5,254,868 |
| Land, buildings and equipment (Note 5) | 45,376,629 | 43,558,312 |
| Miscellaneous assets | 702,451 | 345,350 |
| Goodwill, trade-marks and trade names | 1 | 1 |
| Total | 107,147,658 | 102,404,341 |
| RESERVES: | | |
| Reserve for self-insurance | 1,274,873 | 1,296,089 |
| Reserves for other purposes | 1,165,187 | 1,154,956 |
| Total | 2,440,060 | 2,451,045 |
| EXCESS OF ASSETS OVER LIABILITIES AND RESERVES | $104,707,598 | $ 99,953,296 |
| STOCKHOLDERS' EQUITIES (Note 6): | | |
| Preferred stock: | | |
| 5% cumulative | $ 22,147,300 | $ 22,147,300 |
| 3⅜% cumulative convertible | 6,159,800 | 9,149,200 |
| Total | 28,307,100 | 31,296,500 |
| Common stock: | | |
| No par value shares | 28,555,327 | 25,565,927 |
| Earnings retained for use in the business | 48,127,639 | 43,090,869 |
| Treasury stock (deduct) | (282,468) | — |
| Total | 76,400,498 | 68,656,796 |
| TOTAL STOCKHOLDERS' EQUITIES | $104,707,598 | $ 99,953,296 |

*Comptroller*

# NOTES TO FINANCIAL STATEMENTS

## 1 Federal Taxes on Income:

The income of the company subject to Federal taxes on income differs from the reported corporate earnings before such taxes for a number of reasons. For example, certain losses and expenditures provided for in the corporate accounts are not deductible for tax purposes until the year in which the losses or expenditures occur. Furthermore, the depreciation provided for corporate purposes exceeds the amount which is allowable as a deduction in computing taxable income.

Federal taxes on income for the current year (including $1,604,000 excess profits taxes on taxable earnings in excess of approximately $20,000,000) have been computed in accordance with the rates in effect at May 31, 1951, without regard for pending legislation which may increase the rates retroactively.

## 2 Receivables:

| | May 31, 1951 | May 31, 1950 |
|---|---|---|
| Customers: | | |
| Drafts and acceptances | $ 5,080,865 | $ 4,137,009 |
| Notes and accounts | 25,188,631 | 20,591,427 |
| Miscellaneous | 1,037,812 | 567,356 |
| | 31,307,308 | 25,295,792 |
| Less allowance for possible losses | 1,421,753 | 1,189,471 |
| Receivables | $29,885,555 | $24,106,321 |

## 3 Inventories:

| | May 31, 1951 | May 31, 1950 |
|---|---|---|
| Grain for processing, flour and soybean products, at market, after appropriate adjustment for open cash trades, unfilled orders, etc. | $32,596,516 | $17,993,141 |
| Formula feeds, ingredients, package foods, home appliances, etc., at the lower of cost or market | 14,418,616 | 11,916,585 |
| Containers, supplies, mechanical, etc., at cost | 10,406,903 | 4,741,675 |
| | 57,422,035 | 34,651,401 |
| Less valuation allowances (including $1,703,178 and $1,481,964 for containers at respective dates) | 4,492,149 | 4,554,547 |
| | 52,929,886 | 30,096,854 |
| Advances on grain and other commodities, etc. | 1,502,088 | 1,580,293 |
| Inventories | $54,431,974 | $31,677,147 |

The company continues to hedge its flour and soybean product unfilled orders and inventories of raw materials and finished goods whenever adequate hedging facilities exist, as a means of minimizing the risk of adverse price fluctuations. All factors relating to items customarily hedged are reflected in the financial position at fair market value, including market adjustments for open transactions.

Items for which no hedging facilities exist are valued at the lower of cost or market in the case of formula feeds, ingredients, package foods, home appliances, etc., while containers, supplies, mechanical, etc. are valued at cost. In addition, for certain of these items, principally formula feeds and containers, it is the practice of the company to provide valuation allowances determined by specific formulas for the purpose, generally, of minimizing the effect of price fluctuations on earnings.

In the case of containers, it became evident under conditions prevailing during the year that the formula as applied was resulting in an excessive allowance, with a consequent distortion of earnings; accordingly, the formula was amended as of May 31, 1951, with the objective of relating more closely current costs with current selling prices. As disclosed by the above tabulation, the valuation allowance for containers increased by $221,214 during the year on the revised basis; however, had the prior basis been continued, there would have been a further increase of $1,135,983 in the container valuation allowance, with a reduction of the same amount in reported earnings for the year.

## 4 Sundry Costs Chargeable to Future Periods:

Automotive equipment is included under this caption at depreciated cost of $2,126,840 and $1,828,469 at May 31, 1951 and 1950, respectively, together with prepaid insurance, advertising, miscellaneous supplies, etc.

# NOTES TO FINANCIAL STATEMENTS

## 5 Land, Buildings and Equipment:

| | May 31, 1951 | May 31, 1950 |
|---|---|---|
| Buildings and equipment | $77,761,414 | $73,650,805 |
| Less accumulated depreciation | 34,733,651 | 32,455,531 |
| Depreciated cost of buildings and equipment | 43,027,763 | 41,195,274 |
| Land | 2,348,866 | 2,363,038 |
| Land, buildings and equipment | $45,376,629 | $43,558,312 |

Land, buildings and equipment are stated generally at gross valuations placed by the company on the properties acquired (representing in most cases actual or estimated cost to the vendor) together with the cost of subsequent additions, less retirements and amounts written off. Accumulated depreciation includes amounts accrued at date of acquisition equal to the excess of the gross valuation over the cost to the company. Thus, the depreciated amount for buildings and equipment represents the portion of the cost not yet allocated as a charge against operations, and does not purport to be either a realizable or replacement value.

During the year ended May 31, 1951, the company spent $4,758,293 for physical facilities, while the gross book value of property sold or retired totaled $1,613,550. Authorized but unexpended appropriations for additions and improvements aggregated $6,231,346 at May 31, 1951.

## 6 Stockholders' Equities:

| | May 31, 1951 | | May 31, 1950 | |
|---|---|---|---|---|
| | Shares | Amount | Shares | Amount |
| Preferred stock—par value $100 each: | | | | |
| Authorized | 500,000 | | 500,000 | |
| Issued and outstanding: | | | | |
| 5% cumulative | 221,473 | $22,147,300 | 221,473 | $22,147,300 |
| 3⅜% cumulative convertible | 61,598 | 6,159,800 | 91,492 | 9,149,200 |
| Preferred stockholders' equities | | 28,307,100 | | 31,296,500 |
| Common stock—no par value: | | | | |
| Authorized | 3,000,000 | | 3,000,000 | |
| (Reserved for issuance under conversion rights of preferred stock) | 123,196 | | 182,984 | |
| Issued at stated value | 2,071,966 | 28,555,327 | 2,012,178 | 25,565,927 |
| Earnings retained for use in the business | | 48,127,639 | | 43,090,869 |
| | | 76,682,966 | | 68,656,796 |
| Less common stock held in treasury—at cost | 4,900 | 282,468 | — | — |
| Common stockholders' equity | | 76,400,498 | | 68,656,796 |
| Total stockholders' equities | | $104,707,598 | | $99,953,296 |

The 3⅜% cumulative convertible preferred shares are convertible at the option of the respective holders into shares of common stock at a conversion price of $50 per share of common stock (for conversion purposes the convertible preferred stock is taken at a value of $100). During the year 29,894 shares of preferred stock were converted into 59,788 shares of common stock.

The outstanding preferred stock is entitled upon redemption at the option of the company, or upon voluntary liquidation, to the following amounts per share, plus in each instance the accrued and unpaid dividends thereon: 3⅜% cumulative convertible preferred stock, $103; 5% cumulative preferred stock upon redemption to and including December 31, 1951, $123 decreasing $1 per year thereafter to $115 and upon voluntary liquidation $115.

In accordance with the provisions of the certificate of incorporation, so long as any of the preferred stock is outstanding, cash dividends on the common stock may be paid, provided that consolidated net current assets are not reduced thereby to less than 60% of the par value of the outstanding preferred stock. At May 31, 1951 the consolidated net current assets materially exceeded the stipulated amount.

## 7 Other Matters:

During the year the rules and regulations of the employees' retirement system were amended to increase the minimum benefits, thus creating a liability for past service cost approximating $950,000, of which $95,000 was paid during the year and charged against earnings.

The company is of the opinion that amounts required to be refunded, if any, on contracts subject to the Renegotiation Act of 1951 will not be material.

# *General Mills, Inc.*

## HISTORICAL DATA FOR THE YEARS 1929 TO 1951

(000 omitted from dollar amounts)

| Fiscal Year Ended May 31 | Sales* | Federal Taxes on Income | Net Earnings | | | | Common Stock† | |
|---|---|---|---|---|---|---|---|---|
| | | | Total | Per Sales Dollar | Paid Out in Dividends | Retained in the Business | Earnings per Share | Dividends per Share |
| 1951 | $435,948 | $13,056 | $11,521 | 2.6c | $6,484 | $5,037 | $4.92 | $2.50 |
| 1950 | 395,835 | 7,570 | 13,251 | 3.3 | 6,443 | 6,808 | 5.87 | 2.50 |
| 1949 | 410,647 | 6,202 | 11,654 | 2.8 | 5,934 | 5,720 | 5.11 | 2.25 |
| 1948 | 458,474 | 8,996 | 13,068 | 2.9 | 5,934 | 7,134 | 5.83 | 2.25 |
| 1947 | 370,932 | 7,314 | 9,236 | 2.5 | 5,934 | 3,302 | 3.91 | 2.25 |
| 1946 | 298,792 | 8,121 | 7,146 | 2.4 | 4,254 | 2,892 | 2.91 | 1.46 |
| 1945 | 280,839 | 8,971 | 6,474 | 2.3 | 3,768 | 2,706 | 2.69 | 1.33 |
| 1944 | 281,198 | 10,953 | 5,557 | 2.0 | 3,768 | 1,789 | 2.23 | 1.33 |
| 1943 | 217,486 | 9,518 | 5,366 | 2.5 | 3,768 | 1,598 | 2.13 | 1.33 |
| 1942 | 163,412 | 3,298 | 5,135 | 3.1 | 3,768 | 1,367 | 2.02 | 1.33 |
| 1941 | 126,938 | 1,640 | 5,252 | 4.1 | 3,768 | 1,484 | 2.08 | 1.33 |
| 1940 | 125,574 | 1,013 | 5,639 | 4.5 | 3,883 | 1,756 | 2.20 | 1.33 |
| 1939 | 121,943 | 1,515 | 6,451 | 5.3 | 3,778 | 2,673 | 2.56 | 1.17 |
| 1938 | 152,673 | 619 | 4,111 | 2.7 | 3,334 | 777 | 1.39 | 1.00 |
| 1937 | 159,980 | 1,382 | 4,303 | 2.7 | 3,334 | 969 | 1.49 | 1.00 |
| 1936 | 147,380 | 765 | 3,602 | 2.4 | 3,334 | 268 | 1.13 | 1.00 |
| 1935 | 143,074 | 879 | 4,075 | 2.9 | 3,334 | 741 | 1.37 | 1.00 |
| 1934 | 118,092 | 667 | 3,710 | 3.1 | 3,337 | 373 | 1.19 | 1.00 |
| 1933 | 83,886 | 720 | 4,082 | 4.9 | 3,299 | 783 | 1.38 | 1.00 |
| 1932 | 87,166 | 651 | 3,891 | 4.5 | 3,349 | 542 | 1.31 | 1.00 |
| 1931 | 122,746 | 547 | 3,870 | 3.2 | 3,400 | 470 | 1.24 | 1.00 |
| 1930 | 163,072 | 649 | 4,609 | 2.8 | 3,707 | 902 | 1.61 | 1.17 |
| 1929 | 123,521 | 578 | 4,155 | 3.4 | 2,124 | 2,031 | 1.53 | .75 |

---

*Variations in the amount of dollar sales may be a reflection of market price levels of raw materials and consequently of selling prices. These levels have fluctuated widely from time to time. Consequently, dollar sales do not necessarily indicate corresponding variations in physical volume of sales.

†Adjusted to reflect equivalent figures after increase in number of shares due to three-for-one split in September, 1945.

# *General Mills, Inc.*

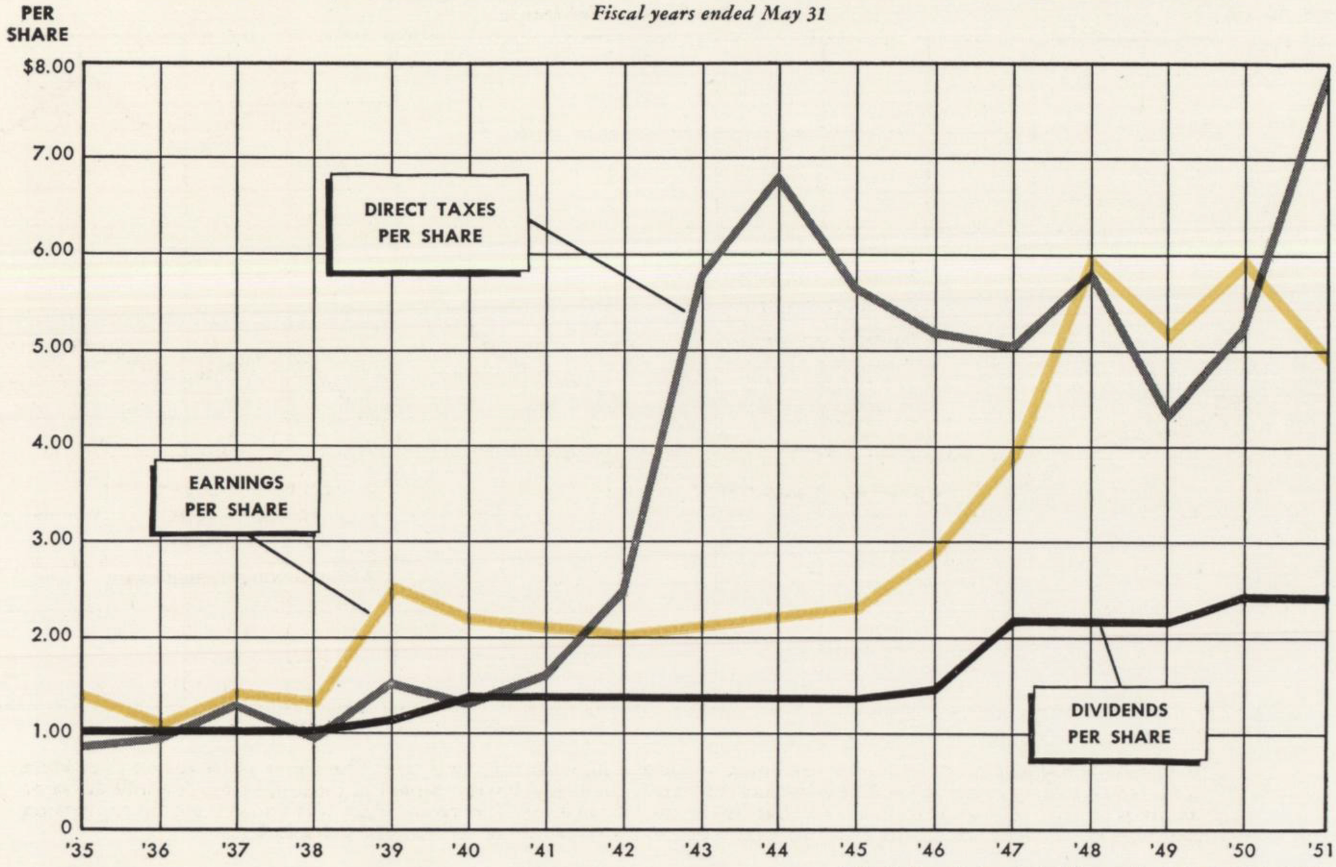
## HISTORICAL DATA FOR THE YEARS 1929 TO 1951

(000 omitted from dollar amounts)

| Fiscal Year Ended May 31 | Working Capital | Land, Buildings, and Equipment | Expenditures for Plant and Equipment | Stockholders' Equities | Net Assets per Employee | Number of Stockholders | Number of Employees |
|---|---|---|---|---|---|---|---|
| 1951 | $54,902 | $45,377 | $ 4,758 | $104,708 | $8,572 | 13,110 | 12,500 |
| 1950 | 53,246 | 43,558 | 2,023 | 99,953 | 8,562 | 13,320 | 11,960 |
| 1949 | 55,601 | 44,422 | 8,433 | 93,145 | 7,895 | 13,210 | 12,090 |
| 1948 | 55,550 | 38,451 | 11,244 | 85,138 | 7,405 | 12,960 | 12,110 |
| 1947 | 57,923 | 29,331 | 5,797 | 78,004 | 6,867 | 12,700 | 12,050 |
| 1946 | 60,032 | 25,672 | 2,602 | 74,701 | 7,452 | 12,310 | 10,660 |
| 1945 | 47,335 | 24,999 | 2,416 | 61,910 | 6,184 | 9,790 | 10,800 |
| 1944 | 45,667 | 24,132 | 2,055 | 59,203 | 6,149 | 9,910 | 10,390 |
| 1943 | 34,725 | 23,916 | 851 | 57,929 | 6,393 | 9,690 | 9,700 |
| 1942 | 32,557 | 24,611 | 1,698 | 56,891 | 7,059 | 9,500 | 8,610 |
| 1941 | 32,584 | 24,370 | 1,392 | 56,023 | 7,781 | 9,430 | 7,680 |
| 1940 | 31,232 | 24,370 | 2,821 | 55,019 | 7,802 | 9,310 | 7,520 |
| 1939 | 30,992 | 22,599 | 1,368 | 52,863 | 7,500 | 9,860 | 7,530 |
| 1938 | 31,234 | 22,218 | 1,495 | 52,412 | 7,922 | 10,100 | 7,120 |
| 1937 | 30,888 | 21,998 | 1,983 | 51,635 | 7,681 | 9,850 | 7,240 |
| 1936 | 30,920 | 21,467 | 579 | 50,656 | 8,129 | 9,400 | 6,700 |
| 1935 | 29,497 | 21,900 | 730 | 49,966 | 7,697 | 8,910 | 6,920 |
| 1934 | 28,116 | 22,179 | 623 | 49,228 | 8,122 | 8,360 | 6,460 |
| 1933 | 27,372 | 22,689 | 360 | 48,800 | 9,055 | 7,780 | 5,740 |
| 1932 | 25,056 | 23,614 | 577 | 47,555 | 8,677 | 7,320 | 5,820 |
| 1931 | 25,602 | 23,966 | 813 | 48,760 | 8,602 | 6,680 | 6,010 |
| 1930 | 24,905 | 24,202 | 2,831 | 48,240 | 8,668 | 6,140 | 5,900 |
| 1929 | 26,061 | 22,290 | 590 | 47,010 | 8,562 | 4,090 | 5,800 |

## EARNINGS, DIVIDENDS AND DIRECT TAXES PER SHARE OF COMMON STOCK*

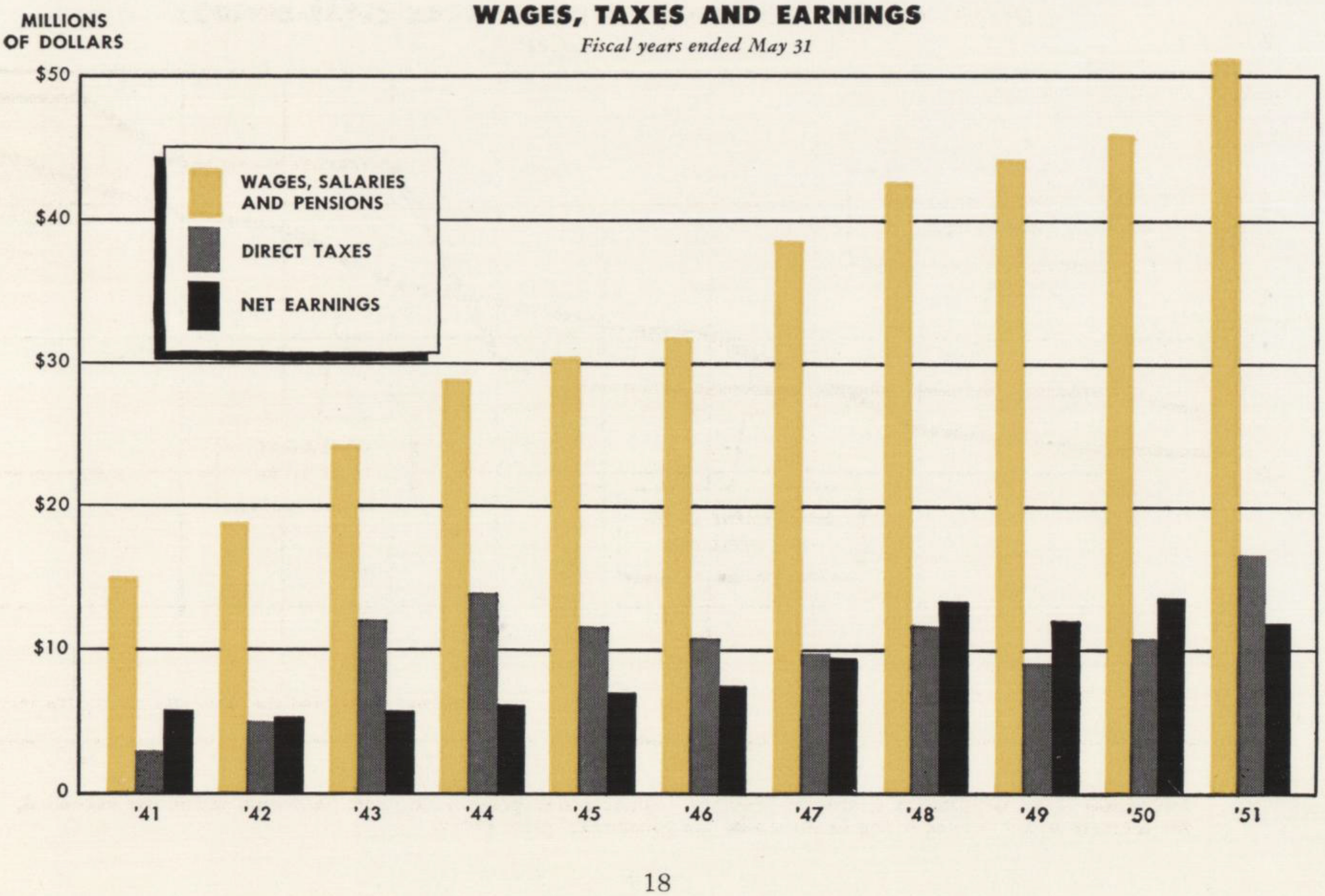
*Fiscal years ended May 31*



*Adjusted to reflect equivalent figures after 3-for-1 split in 1945.

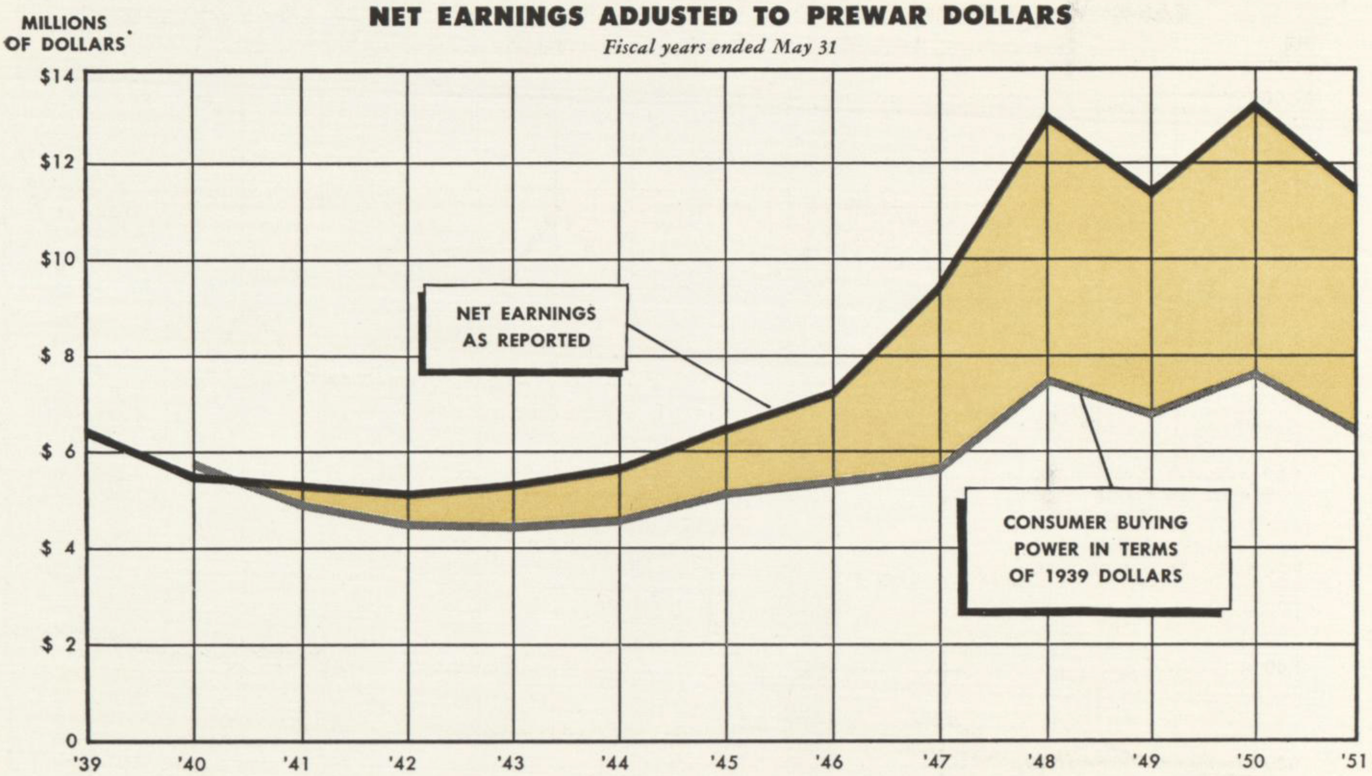
## WAGES, TAXES AND EARNINGS

*Fiscal years ended May 31*



## NET EARNINGS ADJUSTED TO PREWAR DOLLARS

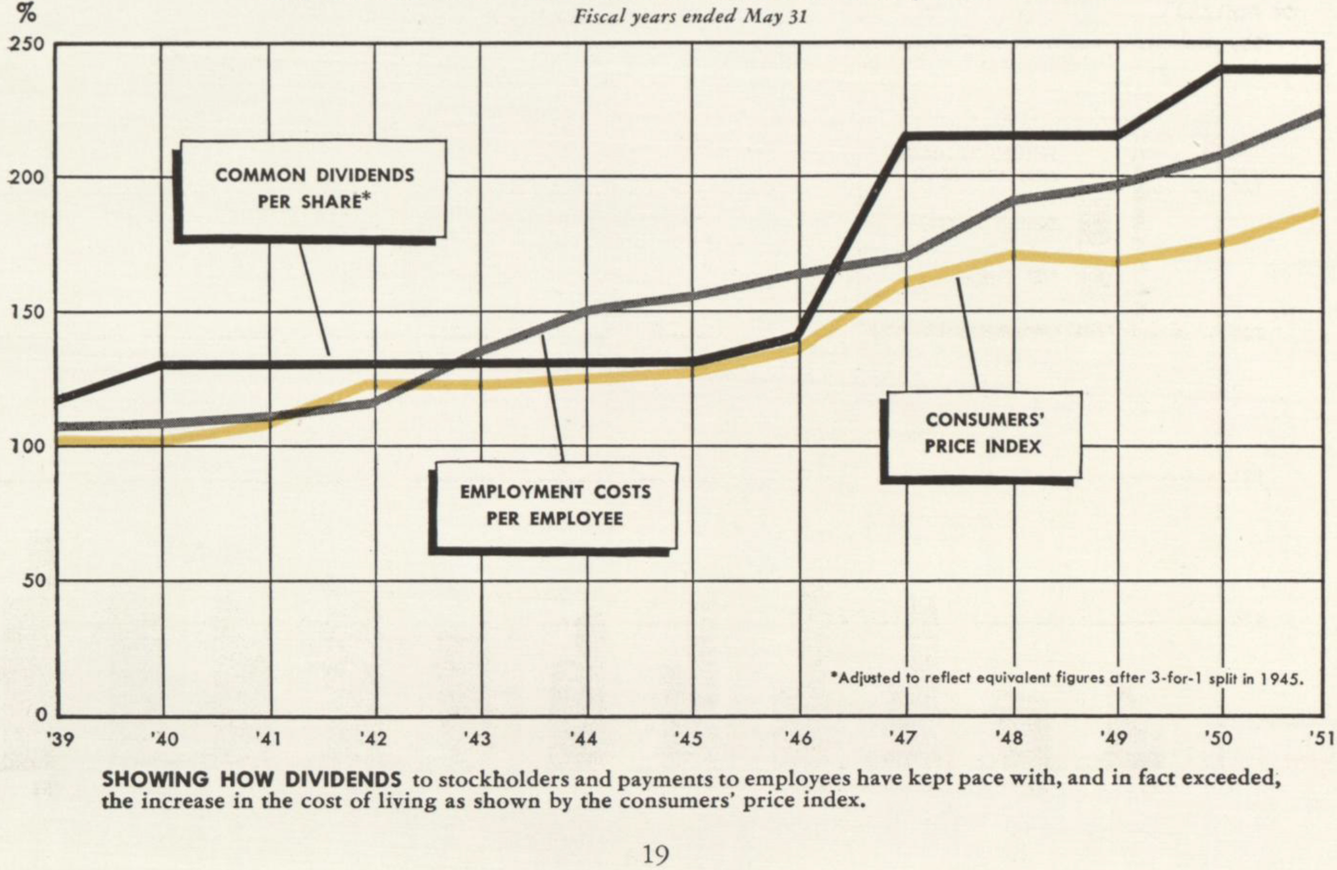
*Fiscal years ended May 31*



**INFLATION** reduces dollars to units that must be judged by what they will buy. The above chart shows that while net earnings as measured by dollar units has increased, the actual buying power of those earnings is about the same as pre-war. The shaded portion of the chart is the toll of inflation. The bottom line was constructed by expressing earnings on the basis of what the dollar would buy in 1939 using the consumers' price index.

## COMPARISON OF INCREASE IN EMPLOYEE COMPENSATION, COMMON DIVIDENDS AND CONSUMERS' PRICE INDEX (1935-39=100)

*Fiscal years ended May 31*



*Adjusted to reflect equivalent figures after 3-for-1 split in 1945.

**SHOWING HOW DIVIDENDS** to stockholders and payments to employees have kept pace with, and in fact exceeded, the increase in the cost of living as shown by the consumers' price index.

# General Mills, Inc.

## GRAIN MANUFACTURING AND STORAGE FACILITIES

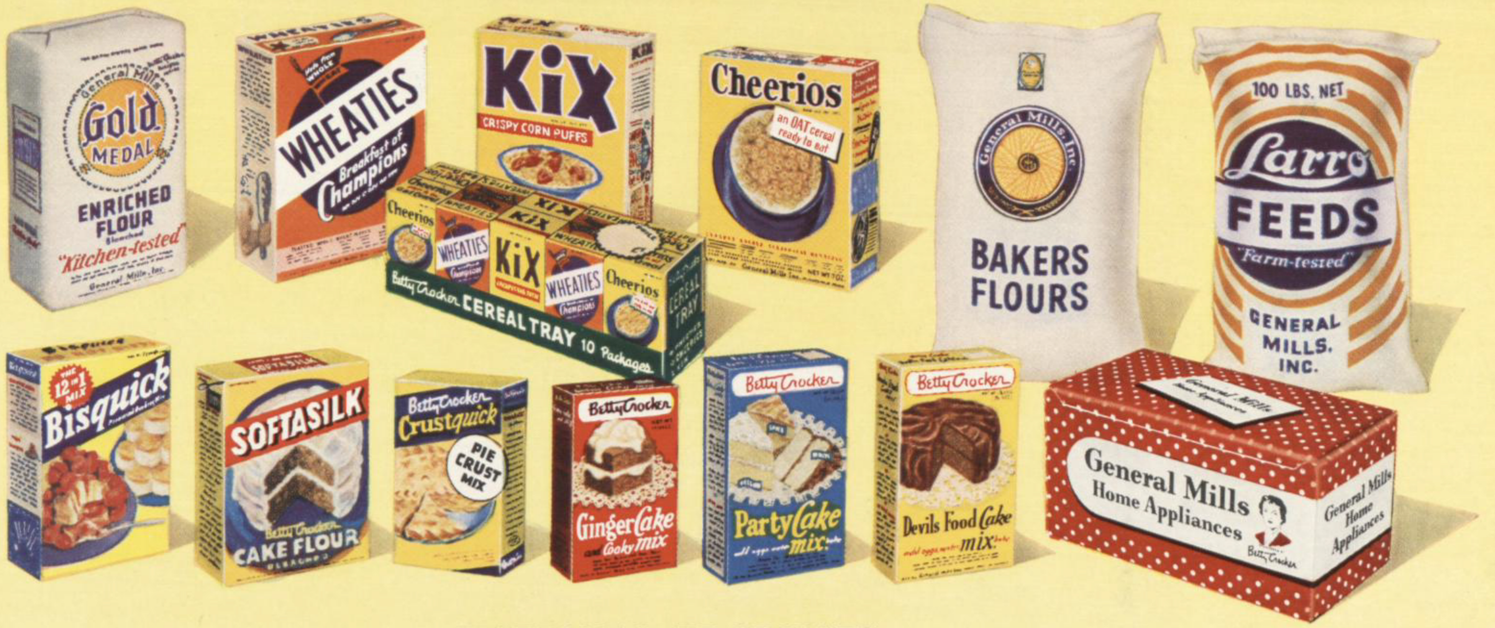
**(Approximate Maximum Capacities as of May 31, 1951)**

| LOCATION | DAILY CAPACITIES: FLOUR MILLING* (Cwt.) | FORMULA FEEDS** (Tons) | PACKAGE FOODS* (Pounds) | OAT PRODUCTS* (Cwt.) | GRAIN STORAGE CAPACITY (Bushels) |
|---|---|---|---|---|---|
| TOTAL CAPACITY | 145,200 | 3,260 | 2,135,000 | 3,600 | 44,815,500 |
| BUFFALO, N. Y. | 37,000 | ........ | 673,000 | ........ | 6,000,000 |
| MINNEAPOLIS, MINN. | 23,000 | 200 | ........ | 1,800 | 5,975,000 |
| KANSAS CITY, MO. | 12,500 | 500 | ........ | ........ | 3,867,000 |
| TACOMA, WASH. | 12,000 | 220 | ........ | ........ | 1,143,000 |
| CHICAGO, ILL. | 8,600 | ........ | 693,000 | ........ | 2,700,000 |
| WICHITA, KANSAS | 6,600 | ........ | ........ | ........ | 4,250,000 |
| VALLEJO, CALIF. | 6,600 | 175 | ........ | ........ | 1,000,000 |
| LOUISVILLE, KY. | 5,500 | ........ | ........ | ........ | 385,000 |
| WICHITA FALLS, TEX. | 5,400 | ........ | ........ | ........ | 1,759,000 |
| SPOKANE, WASH. | 4,600 | 70 | ........ | ........ | 750,000 |
| OGDEN, UTAH | 4,100 | 175 | ........ | ........ | 1,250,000 |
| OKLAHOMA CITY, OKLA. | 4,000 | ........ | ........ | ........ | 835,000 |
| LOS ANGELES, CALIF. | 3,300 | 120 | ........ | ........ | 385,000 |
| GREAT FALLS, MONT. | 2,600 | ........ | ........ | ........ | 1,566,000 |
| JOHNSON CITY, TENN. | 2,500 | ........ | ........ | ........ | 200,000 |
| HOPKINSVILLE, KY. | 2,500 | ........ | ........ | ........ | 250,000 |
| EL RENO, OKLAHOMA | 2,300 | ........ | ........ | ........ | 1,124,000 |
| AMARILLO, TEXAS | 2,100 | ........ | ........ | ........ | 1,200,000 |
| TOLEDO, OHIO | ........ | 1,800 | ........ | ........ | ........ |
| LODI, CALIF. | ........ | ........ | 769,000 | ........ | ........ |
| KEOKUK, IOWA | ........ | ........ | ........ | 1,800 | 140,000 |
| DULUTH, MINN. | ........ | ........ | ........ | ........ | 2,600,000 |
| ENID, OKLA. | ........ | ........ | ........ | ........ | 2,100,000 |
| BELMOND, IOWA | ........ | ........ | ........ | ........ | 1,500,000 |
| PORTLAND, OREGON | ........ | ........ | ........ | ........ | 100,000 |
| OTHER POINTS | ........ | ........ | ........ | ........ | 3,736,500 |

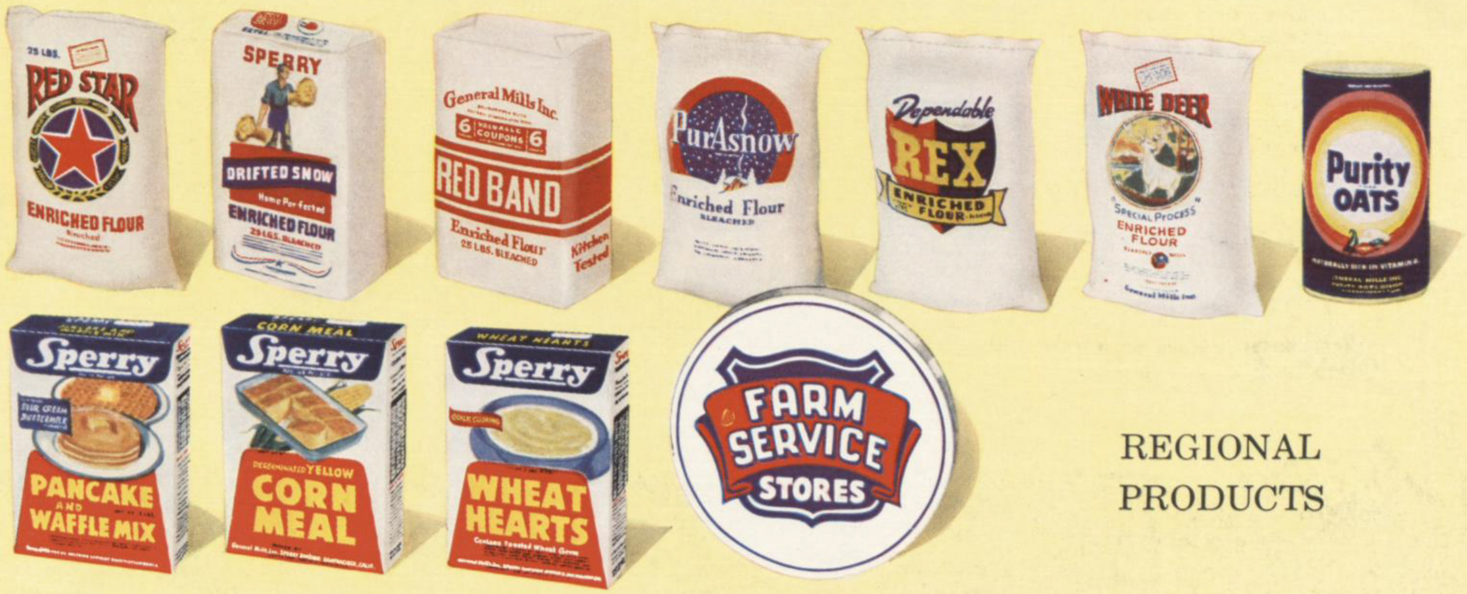
*Flour Capacity (including Bread Wheat, Durum Wheat, and Rye) Package foods, and Oat Products Capacity—Basis 24-Hour Day.

**Formula Feed—Basis 16-Hour Day.

WHEAT from the General Mills Duluth Elevator travels in boats like these to Buffalo and other points to be milled into flour for consumption at home and abroad.


Gold Medal Enriched Flour "Kitchen-tested" General Mills, Inc.
Wheaties Breakfast of Champions
Kix Crispy Corn Puffs
Cheerios an OAT cereal ready to eat
Betty Crocker Cereal Tray 10 Packages
General Mills Inc. Bakers Flours
100 LBS. NET Larro Feeds "Farm-tested" General Mills, Inc.
Bisquick
Softasilk Betty Crocker Cake Flour
Betty Crocker Crustquick Pie Crust Mix
Betty Crocker Ginger Cake and Cooky mix
Betty Crocker Party Cake mix
Betty Crocker Devils Food Cake mix
General Mills Home Appliances

NATIONAL PRODUCTS

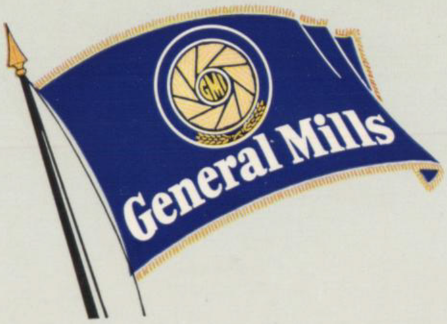

25 LBS. Red Star Enriched Flour
Sperry Drifted Snow Enriched Flour
General Mills Inc. Red Band Enriched Flour 25 LBS. Bleached Kitchen Tested
PurAsnow Enriched Flour
Dependable Rex Enriched Flour
White Deer Special Process Enriched Flour General Mills Inc.
Purity Oats
Sperry Pancake and Waffle Mix
Sperry Corn Meal
Sperry Wheat Hearts
Farm Service Stores

REGIONAL PRODUCTS

INDUSTRIAL PRODUCTS

# General Mills

*Home of*
*Betty Crocker*
*Services*


GM
General Mills

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